

1                               BEFORE THE  
2                               ILLINOIS COMMERCE COMMISSION

3       ILLINOIS BELL TELEPHONE COMPANY                ) DOCKET NO.  
  )   00 -0393  
4       Proposed implementation of High                )  
      Frequency Portion of Loop (HFPL)/               )  
5       Line Sharing Service.                            )

6                               Springfield, Illinois  
                              October 18, 2000

7  
8               Met, pursuant to agreement, at 10:00 A.M.

9       BEFORE:

10               MR. DONALD L. WOODS, Examiner

11       APPEARANCES:

12               MR. CHRISTIAN F. BINNIG  
              MS. KARA K. GIBNEY  
              Mayer, Brown & Platt  
13               190 South La Salle Street  
              Chicago, Illinois 60603

14                       (Appearing on behalf of Ameritech  
15                       Illinois)

16               MS. MICHAEL S. PABIAN  
              225 West Randolph  
17               25th Floor  
              Chicago, Illinois 60606

18                       (Appearing on behalf of Ameritech  
19                       Illinois)

20       SULLIVAN REPORTING COMPANY, by  
21       Cheryl A. Davis, Reporter, #084-001662  
      Traci Bartolomucci, Reporter, #084-003861  
22       Carla J. Boehl, Reporter, #084-002710





1	I N D E X			
2	WITNESSES	DIRECT	CROSS	REDIRECT RECROSS
3	CAROL ANN CHAPMAN			
	By Mr. Binnig	693		838
4	By Ms. Hamill		695	
	By Mr. Schiffman		738	
5	By Mr. Bowen		770	
6	ROBIN JACOBSON			
	By Ms. Gibney	841		
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9	J. THOMAS O'BRIEN			
	By Mr. Pabian	983		
10	By Mr. Harvey		985	
11	BRIAN BALTZ			
	By Mr. Brown	1001		1011
12	By Ms. Gibney		1007	1012
13				
14				
15				
16	EXHIBITS		MARKED	ADMITTED
17	Ameritech Illinois 7.0			695
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18	Ameritech Illinois 5.0			984
	Ameritech Illinois 5.1			985
19	Rhythms 5.0			1006
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20				
	Sprint Cross Chapman 1		763	770
21	Rhythms Jacobson Cross 1		917	1014
22				

1 PROCEEDINGS

2 EXAMINER WOODS: I call for hearing Docket  
3 00-0393, Illinois Bell Telephone Company, the  
4 proposed implementation of High Frequency Portion of  
5 Loop /Line Sharing Service.

6 This cause comes on for hearing October  
7 18, 2000, before Donald L. Woods, duly appointed  
8 Hearing Examiner, under the authority of the Illinois  
9 Commerce Commission. The cause was set today for  
10 evidentiary hearings.

11 At this time I'd take the appearances of  
12 the parties, please, beginning with the Applicants.

13 MR. BINNIG: Christian F. Binnig and Kara K.  
14 Gibney of Mayer, Brown & Platt, 190 South La Salle  
15 Street, Chicago, Illinois 60603, appearing on behalf  
16 of Ameritech Illinois.

17 MR. PABIAN: Michael S. Pabian, 225 West  
18 Randolph Street, 25th Floor, Chicago, 60606,  
19 appearing on behalf of Ameritech Illinois.

20 MS. HIGHTMAN: Carrie J. Hightman, Schiff  
21 Hardin & Waite, 6600 Sears Tower, Chicago, Illinois  
22 60606, appearing on behalf of Rhythms Links, Inc.

1           MR. BOWEN: Stephen P. Bowen, Blumenfeld &  
2           Cohen, 4 Embarcadero Center, Suite 1170, San  
3           Francisco, California 94111, also appearing for  
4           Rhythms Links, Inc.

5           MR. SCHIFMAN: On behalf of Sprint  
6           Communications L.P., Ken Schifman, S-C-H-I-F-M-A-N,  
7           8140 Ward Parkway, Kansas City, Missouri 64114.

8           MS. HAMILL: Appearing on behalf of AT&T  
9           Communications of Illinois, Inc., Cheryl Hamill, 222  
10          West Adams, Suite 1500, Chicago, Illinois 60606.

11          MR. HARVEY: Appearing for the Staff of the  
12          Illinois Commerce Commission, Matthew L. Harvey, 160  
13          North La Salle Street, Suite C-800, Chicago, Illinois  
14          60601-3104.

15          MR. BROWN: Also appearing on behalf of Rhythms  
16          Links, Inc., Craig Brown, 9100 East Mineral Circle,  
17          Englewood, Colorado 80112.

18          EXAMINER WOODS: Any additional appearances?  
19          Let the record reflect no response.

20                 Who is the first witness? Is it  
21          Ms. Chapman?

22          MR. BINNIG: Yes.

1           EXAMINER WOODS: Were you previously sworn,  
2           ma'am?

3           MS. CHAPMAN: No, I wasn't.

4           EXAMINER WOODS: Please stand and be sworn.

5                               (Whereupon the witness was sworn by  
6                               Examiner Woods.)

7           EXAMINER WOODS: Thank you. Be seated.

8                               CAROL ANN CHAPMAN

9           called as a witness on behalf of Ameritech Illinois,  
10          having been first duly sworn, was examined and  
11          testified as follows:

12                              DIRECT EXAMINATION

13                              BY MR. BINNIG:

14                              Q.     Ms. Chapman, could you state your full  
15          name and business address for the record, please?

16                              THE WITNESS:

17                              A.     Sure. It's Carol Ann Chapman, and I'm at  
18          311 South Akard, A-K-A-R-D, Room 1370, in Dallas,  
19          Texas 75202.

20                              Q.     And do you have in front of you what's  
21          going to be marked for identification as Ameritech  
22          Illinois Exhibit 7.0 which consists of approximately,

1 oh, 41 pages of typed questions and answers along  
2 with several schedules attached, I believe it's  
3 Schedule CAC-1 through CAC-4?

4 A. Yes, I do.

5 Q. And is this your rebuttal testimony in  
6 this proceeding?

7 A. Yes.

8 Q. Was it prepared by you or under your  
9 supervision or direction?

10 A. Yes, it was.

11 Q. Do you have any additions or changes to  
12 Ameritech Illinois Exhibit 7.0?

13 A. No, I do not.

14 Q. Do the schedules attached to Ameritech  
15 Illinois Exhibit 7.0 accurately reflect what they  
16 purport to reflect?

17 A. Yes.

18 Q. If I were to ask you the questions that  
19 appear in the question and answer portion of  
20 Ameritech Illinois Exhibit 7.0 today, would your  
21 answers be the same as reflected in this exhibit?

22 A. Yes, they would.



1           MR. BINNIG: Your Honor, I would move for  
2 admission of Ameritech Illinois Exhibit 7.0 and offer  
3 the witness for cross-examination.

4           EXAMINER WOODS: Objections? Okay. As  
5 previously noted in this docket, they will be  
6 admitted into the record upon receipt through the  
7 docket system.

8                               (Whereupon Ameritech Illinois  
9 Exhibit 7.0 was received into  
10 evidence.)

11          EXAMINER WOODS: Ms. Hamill.

12                               CROSS EXAMINATION

13          BY: MS. HAMILL:

14          Q. Good morning, Ms. Chapman. My name is  
15 Cheryl Hamill, and I represent AT&T. How are you?

16          A. Just fine. Good morning.

17          Q. Good.

18                               Now throughout your testimony, your  
19 rebuttal testimony, you make references to the FCC's  
20 Line Sharing Order and the FCC's Texas 271 Order to  
21 support your position that Ameritech is not required  
22 to provide line splitting. Correct?

1           A.     That is correct.

2           Q.     Okay.  Now you'll agree with me, won't  
3     you, that the FCC's requirements are minimum  
4     requirements?

5           A.     In general, yes.

6           Q.     Okay.  And you don't dispute that state  
7     commissions, such as this one, are free to establish  
8     additional requirements beyond those established by  
9     the FCC.  Correct?

10          A.     I'm not making that statement, no.

11          Q.     Okay.  So you agree that state  
12     commissions can.

13          A.     I don't know all of what state  
14     commissions are able to do, but I am aware that they  
15     can -- they do have some leeway to do additional  
16     requirements, yes.

17          Q.     And you're aware, in fact, that some  
18     state commissions have, in fact, ordered line  
19     splitting, correct?

20          A.     Yes.

21          Q.     Okay.  Now will you agree with me that  
22     the Federal Act defines a network element to include

1 the features, functions, and capabilities that are  
2 provided by means of that facility or equipment?

3 A. Yes.

4 Q. Okay, and isn't it correct that the FCC  
5 in its Line Sharing Order defined the high frequency  
6 portion of the loop as the capability of the loop?  
7 Would you agree with me on that?

8 A. Yes.

9 Q. Okay. And you agree that the splitter  
10 separates the high frequency portion of the loop used  
11 for data services from the low frequency portion of  
12 the loop or lower frequency portion used for voice  
13 service. Correct?

14 A. That is also correct.

15 Q. Okay. Now, to access the high frequency  
16 portion of the loop you would agree with me, wouldn't  
17 you, that a splitter is required to do that?

18 A. In order to access it separately from the  
19 low frequency, yes.

20 Q. Okay. And it's not your contention, is  
21 it, Ms. Chapman, that the splitter is advanced  
22 services equipment?

1           A.     It is related to advanced services.  It's  
2     neither part of the loop or -- it is a separate piece  
3     of equipment from the loop.

4           Q.     Do you agree with me, Ms. Chapman, that  
5     the splitter is not advanced services equipment?

6           A.     I'm not sure that I could say that it is  
7     not used for anything but advanced services.  Now  
8     whether or not it fits the exact definition of  
9     advanced services equipment I'm not certain that I  
10    could say, but you wouldn't use it for anything but  
11    advanced services, so.  It's not used for voice  
12    service.

13          Q.     Ms. Chapman, you testified in the AT&T/  
14    Southwestern Bell Telephone Company arbitration.  
15    Correct?

16          A.     Yes, I did.

17          Q.     And you testified --

18          A.     In Texas.

19          Q.     And you testified on the issue of line  
20    splitting and line sharing, correct?

21          A.     Yes.

22          Q.     And you testified in that proceeding on

1 Monday, July 31, 2000. Correct?

2 A. I'm sure that's the correct date. I  
3 don't remember, but.

4 Q. Okay, and during that proceeding Michelle  
5 Bourianoff, the attorney for AT&T, asked you some  
6 questions in that proceeding, did she not?

7 A. Yes, she did.

8 Q. And one of the questions she asked you,  
9 and I'm reading from page 259 of the transcript in  
10 that proceeding, is: "So it is your contention that  
11 the splitter is advanced services equipment?" Answer:  
12 " No."

13 A. And, again, I'd have to look at the  
14 context. As I said, I'm not saying it's part of what  
15 is required to provision an advanced service because  
16 you can provision an advanced service without a  
17 splitter. However, in order to line share you do  
18 need a splitter in order to separate the voice from  
19 the data, so, you know, that's exactly what I was  
20 trying to say here.

21 Q. So is it your contention, Ms. Chapman,  
22 that the splitter is a piece of advanced services

1 equipment or not? Yes or no?

2 A. I can't yes or no because I would have to  
3 read the definition of advanced services equipment  
4 again in order --

5 Q. So you were able to answer it in Texas,  
6 but you aren't able to answer it here, correct?

7 A. Again, I would need to relook at that  
8 definition in order to make that determination. I'm  
9 not saying it's not or that it is, one way or the  
10 other, but it's a complex definition, and I'd have to  
11 review it to respond, yes.

12 Q. So you don't know sitting here today.

13 A. That's correct.

14 Q. Now, you understand AT&T's position in  
15 this matter to be that Ameritech has to provide  
16 access to the splitter as part of the unbundled loop.  
17 Correct?

18 A. Yes.

19 Q. Okay. And you will agree that line  
20 sharing, under your definition, is where Ameritech  
21 provides the voice service and the data CLEC provides  
22 the data service over the same loop.

1           A.     Well, not under my definition. Under the  
2     FCC's definition that's what line sharing is.

3           Q.     Well, and you agree with the FCC's  
4     definition I take it.

5           A.     Well, certainly.

6           Q.     Okay. That was easy enough.

7                     Now, you understand AT&T's line splitting  
8     proposal, do you not, to be where a CLEC, UNE-P CLEC,  
9     provides voice service and a data CLEC provides data  
10    service over a loop, correct?

11          A.     I understand that AT&T's proposal goes  
12    far beyond that, but, yes, that's part of AT&T's  
13    proposal.

14          Q.     Okay. And that the voice provider can be  
15    a UNE-P provider, correct?

16          A.     Yes.

17          Q.     Okay, and that Ameritech is not the voice  
18    provider in the line splitting scenario, correct?

19          A.     That is also correct.

20          Q.     Okay.

21                    Now, is it your contention, Ms. Chapman,  
22    that the UNE platform can only be used to provide

1 voice service?

2 A. The UNE platform where the elements are  
3 combined not by the CLEC but by Ameritech, yes. If  
4 the CLEC combines the unbundled elements into a  
5 platform themselves, then, no, they could use those  
6 elements to provide line splitting today.

7 Q. Okay. So if I, AT&T, purchase a loop and  
8 a port as part of a UNE platform combination in  
9 Illinois, under your proposal I cannot use that  
10 platform, that loop and port combination with  
11 transport, to provide data service. Correct?

12 A. Again, if you're purchasing the elements  
13 in a pre-combined fashion that don't include a  
14 splitter, then, no, you wouldn't be able to use  
15 something that's not part of that platform. If you  
16 purchased the elements separately and combined them  
17 with something else, then, yes, you could use them --  
18 (interrupted).

19 Q. So you're saying -- I'm sorry. So  
20 you're saying that if I purchase the elements  
21 separately, I can provide data service, but as a  
22 UNE-P CLEC purchasing the UNE platform, I cannot



1 provide data service under your proposal.

2 A. If you purchase something that is in a  
3 preset configuration, then you cannot provide  
4 something that's not part of that configuration.  
5 Yes.

6 Q. And let me explore that a little bit. Is  
7 it your contention that because you have to separate  
8 the loop and the switch port to insert the splitter,  
9 that at that point it's not the existing UNE platform  
10 combination any longer? Is that your contention,  
11 Ms. Chapman?

12 A. That's right. In order to add line  
13 sharing or line splitting to an existing voice  
14 service, you'd have to actually physically separate  
15 the loop and the port, and at that point they are no  
16 longer combined. You have to insert something in the  
17 middle.

18 Q. And that's required I think you said for  
19 line splitting and line sharing. Correct?

20 A. That is correct.

21 Q. Okay. And at that point then is it your  
22 contention that once you make that separation, it's

1 no longer the platform, but they are at that point  
2 separate unbundled elements; that is a separate loop  
3 and a separate switch port?

4 A. That is also correct, yes.

5 Q. Okay. Now, can you turn to page 28 of  
6 your rebuttal testimony?

7 A. Sure.

8 Q. And I think that actually the discussion  
9 begins on page 27, but 28 lists five steps. Do you  
10 see that in the first half of page 28?

11 A. Yes.

12 Q. Are these the steps -- well, strike that.

13 If I'm AT&T and I'm providing voice  
14 service over the UNE-P in Illinois and I want to add  
15 -- my end user wants to add data service to that  
16 loop, are these the steps that I, AT&T, as that UNE-P  
17 voice provider, would need to go through in order to  
18 add data service to the loop that I have?

19 A. This is basically what's going to have to  
20 happen. These may not actually be completely  
21 separate steps that AT&T would perform individually,  
22 but, yes, all these steps would be what happens in

1       order to physically do that.

2               Q.     Okay.  Now, if I'm a UNE -P provider, will  
3       you assume with me that I don't have any kind of  
4       collocation space already?

5               A.     Sure .

6               Q.     Okay.  The first step then I would need  
7       to do is I would need to arrange for collocation  
8       space for a splitter and a DSLAM.  Is that correct?

9               A.     And part of that would either be yours or  
10      your partner CLEC.  In line sharing or line  
11      splitting, collocation is physically required in  
12      order to provision the service, so whoever is going  
13      to provide the data service has to be collocated.

14              Q.     Right.

15              A.     So whoever is going to be putting this  
16      data service on is collocated, and so if you're  
17      partnering with someone, you would probably use  
18      theirs if you're not physically collocated yourself  
19      and use their splitter.

20              Q.     Okay.  Suppose I'm partnering with a data  
21      CLEC that does not have its own splitter because  
22      prior to this time it was using Ameritech's splitter.

1       Then I would have to -- assuming the CLEC won't, I  
2       mean the data CLEC won't, I would have to place --  
3       collocate and put a splitter in my collocation space,  
4       correct?

5           A.     Or, again, partner with them and put that  
6       in their collocation space.  If you're partnering  
7       with them -- I mean this is not a big piece of  
8       equipment.  You know, it's a shelf.  It's not a large  
9       piece of equipment at all, so if they're not willing  
10      to purchase it themselves, then AT&T could purchase  
11      it and put it in their space if they're willing to  
12      partner with you.

13          Q.     But one of us have to have it, in any  
14      event.

15          A.     Yes, yes.  It has to be.

16          Q.     Okay.

17          A.     Or it could also be part of DSLAM.  
18      Splitters are frequently integrated with DSLAMs, so  
19      in a lot of cases the CLEC, the data CLEC, will have  
20      an integrated splitter and DSLAM, so it may not even  
21      be a separate piece of equipment.

22          Q.     But there are DSLAMs that do not have an

1 integrated splitter functionality, correct?

2 A. Certainly, and some of the CLECs  
3 currently -- pre-line sharing that is what they were  
4 purchasing. My understanding is that many of the  
5 CLECs, now that line sharing is out there, once their  
6 DSLAMs are filled up, will be going to the integrated  
7 DSLAMs, but.

8 Q. And under this scenario though, I cannot  
9 under any set of circumstances use the Ameritech  
10 splitter. Correct?

11 A. That is correct.

12 Q. Okay. The second step then, according to  
13 your rebuttal testimony, is that I would have to  
14 perform some kind of a loop qualification and order  
15 any necessary conditioning of the loop. Correct?

16 A. You would need to determine whether or  
17 not the loops that serve that end user are going to  
18 meet your needs or the needs of your partner data  
19 CLEC, depending on who's actually going to provide  
20 the service, and if conditioning was necessary, then  
21 you would request that, and that, again, is no  
22 different than it would be for line sharing.

1           Q.     Now, if you recall, I'm already a UNE -P  
2     provider providing the service to that customer,  
3     voice service, correct?

4           A.     Right.

5           Q.     Will I be able to use, under your  
6     proposal, the same loop that's currently being used  
7     to serve the customer?

8           A.     Generally, yes.  There's going to be some  
9     cases where the loop that's currently serving the  
10    customer is not DSL capable.  For instance, if the  
11    end user is currently served over a pair gain, you  
12    are not able to provide DSL services over pair gain  
13    that supports voice but not DSL, so in that case you  
14    would not be able to reuse the same loop.  You would  
15    need a new loop if the existing loop is not DSL  
16    capable, but if the existing loop was DSL capable,  
17    then we would allow the reuse of that facility.

18          Q.     Okay.  Now the third step, according to  
19    page 28, is that I would have to order unbundled xDSL  
20    capable loop and any unbundled switching and shared  
21    transport that might be necessary to be connected to  
22    my collocation arrangement.  Correct?

1           A.     That is also correct.

2           Q.     And as I think you just testified, in  
3     some cases that unbundled loop will be the same loop  
4     and in other cases it might not be.   Correct?

5           A.     Right, just the same as with line  
6     sharing.

7           Q.     Okay.   How many local service requests is  
8     it going to take me to order the unbundled loop, the  
9     unbundled switching, and the unbundled shared  
10    transport?

11          A.     I believe right now that would be two.  
12    We have agreed to work with AT&T if they were  
13    interested in any modifications to the process that  
14    would help them in this circumstance, if they would  
15    be interested in that.

16          Q.     You've agreed to that in what forum?

17          A.     I've spoken to them since the spring, but  
18    I believe, you know, that since they're pursuing  
19    this, they will probably wait and see the outcome of  
20    these things before they pursue modifications to the  
21    existing process.

22          Q.     But currently that third step requires

1 two local service requests. Is that correct?

2 A. I believe that is correct.

3 Q. Okay. Now the fourth step, according to  
4 your testimony, is that I would need to combine the  
5 loop and the switching with my DSLAM and my splitter.  
6 Correct?

7 A. Yes. You would connect the voice and the  
8 data. I mean the voice and the loop and split out  
9 the data.

10 Q. Okay. And Ameritech will bring the loop  
11 and the switch port to my collocation cage. Correct?

12 A. Yes. We will bring it to the collocation  
13 termination that you've specified on the LSRs.

14 Q. Okay, and Ameritech will perform the  
15 cross-connects from the main distribution frame to my  
16 collocation cage. Correct?

17 A. Again, I'm not, you know, real familiar  
18 with central office work, but, yes, we would  
19 terminate both of the UNEs to your collocation, and  
20 then from there you would have full access to  
21 everything with those UNEs, and you could combine  
22 them either in that cage or if you had shared cages,



1 or whatever, you could do that as well.

2 Q. Okay. And my understanding is that the  
3 CLEC, meaning me, is not given access to the main  
4 distribution frame to do that combining. Correct?

5 A. Well, no, you wouldn't do the combining  
6 on the main distribution frame. Access to the main  
7 distribution frame would cause serious liability  
8 problems, so.

9 Q. And, again, in this scenario then, once  
10 -- well, strike that.

11 Then the fifth step would be that I would  
12 have to disconnect my UNE-P. Correct?

13 A. Yes, and that actually would be part of  
14 this whole process. There wouldn't be something  
15 separate that AT&T actually did. It would be part of  
16 the reuse of the facilities, and that would just be  
17 the last thing as far as the order actually getting  
18 processed. That would be done at the same time, yes.

19 Q. And then at this point my UNE-P is  
20 disconnected, and I'm no longer a UNE provider in  
21 your view. Correct?

22 A. You're a UNE provider. You're -- right.

1           Q.     But not a UNE platform provider. I'm  
2     sorry I did not be more specific.

3           A.     Well, you're still a UNE platform  
4     provider, but in this case you're providing your  
5     voice service over separate unbundled elements as  
6     opposed to an Ameritech combined platform.

7           Q.     So you're making that distinction in the  
8     platform. I understand.

9           A.     Yes.

10          Q.     Now, it seems to me if there's going --  
11     strike that.

12                 Is there an actual disconnect request that  
13     goes in to accomplish that number five?

14          A.     That would be part of the earlier LSRs  
15     that actually request the reuse. It's the disconnect  
16     of the UNE-P and reuse of the facilities in the loop  
17     and the switch port, so it would not be a separate  
18     request. It would be part of the other request.

19          Q.     Is it part -- so it's part of the two LSR  
20     requests, local service requests, that you referenced  
21     in regard to the third step?

22          A.     Yes.

1           Q.     Okay.  Is it your understanding that  
2           there are two local service requests that are  
3           required to do the five steps?

4           A.     Yes.  That's what I've stated.

5           Q.     Okay, and there has to be some kind of  
6           coordination then between those two local service  
7           requests to make sure that if my UNE-P is being  
8           disconnected and I'm using the same loop, that that  
9           same loop is up and running to the customer.  
10          Correct?

11          A.     Just as with line sharing where we are  
12          separating, you know, the voice and the -- I mean the  
13          switch and the loop, we would need to do the work at  
14          the same time, just as we would in a CLEC-owned  
15          splitter and a line-sharing environment, so there's  
16          that level of coordination that we would normally do  
17          that we would do in this case as well.

18          Q.     And that coordination has to work because  
19          if I'm disconnecting a UNE-P arrangement and entering  
20          into this five-step arrangement, in order to make  
21          sure that we maintain voice service to the customer  
22          there has to be adequate coordination between those

1 local service requests.

2 A. Right.

3 Q. Work orders.

4 A. Just as with the line sharing, we would  
5 do the same type of coordination in this case.

6 Q. Now, these five steps that you've listed  
7 on page 28, does this constitute the same arrangement  
8 that Ameritech would provide to a data CLEC engaging  
9 in line sharing providing its own splitter?

10 A. I'm not sure I understand what you mean  
11 by the same arrangement that Ameritech would provide.  
12 Could you clarify?

13 Q. Are these the same steps that a CLEC  
14 would have to -- engaging in line sharing by  
15 providing its own splitter would need to go through?

16 A. Pretty much. They are going to have to  
17 have the collocation space in any case again. They  
18 are going to need to determine whether or not the  
19 loop meets their needs. Again, they're going to have  
20 to submit the order. Again, we're going to have to  
21 try and reuse the facilities, and if we can't, then,  
22 you know, we have to change the facilities, and then

1 we do the physical work, so, yes, it's very, very  
2 similar.

3 Q. Okay. Now, if I understand your  
4 testimony correctly, Ameritech -- strike that.

5 If Ameritech is providing the voice  
6 service and a data CLEC is providing the data service  
7 in a line-sharing arrangement, and the end user wants  
8 to change its voice service to a UNE-P provider,  
9 Ameritech won't allow the UNE-P provider to use that  
10 loop and the splitter to provide voice service.  
11 Correct?

12 A. Yes. Actually the Line Sharing Order  
13 specifically prohibits that. If the voice is  
14 disconnected for any reason, the Line Sharing Order  
15 requires that the data provider has the opportunity  
16 to use -- if they want to continue providing data  
17 service, then they have the opportunity to use that  
18 entire loop. Now if the voice provider wanted to  
19 partner with that data CLEC, you know, as you'd  
20 suggested, then since that data CLEC would have  
21 complete access to the entire loop, then they would  
22 be able to, again, take a switch port over to that

1 data CLEC and do it that way, but the Line Sharing  
2 Order specifically gives the data CLEC full rights to  
3 the loop.

4 Q. Okay, but my question is -- I understand  
5 what the FCC's Line Sharing Order says and what the  
6 Texas 271 Order says. I'm just asking, those orders  
7 aside, from a practical standpoint, if Ameritech is  
8 in a line-sharing arrangement providing voice and a  
9 data CLEC is providing data service over that loop  
10 and the end user customer wants to change its voice  
11 provider to an AT&T UNE-P service, UNE platform  
12 service, Ameritech, from a practical standpoint,  
13 orders aside, will not allow AT&T to provision voice  
14 service using the UNE platform over that loop using  
15 Ameritech's splitter.

16 A. Well, again, we're not allowed to, so,  
17 no, we would not.

18 Q. Is it your testimony that the Line  
19 Sharing Order prohibits you from doing that?

20 A. Yes, it does.

21 Q. So from what I understand you to say  
22 then, that if the end user wants to change its voice

1 service to a UNE-P provider, there are a couple of  
2 options. One of the options is that the data CLEC  
3 can purchase the whole loop and provide data service  
4 using that loop, and AT&T can purchase a separate  
5 loop and provide voice service to that end user using  
6 a second loop. Correct?

7 A. Yes, that is one of the options  
8 available.

9 Q. Okay, and then I guess one of the other  
10 options available is for AT&T to go through the five  
11 steps listed on page 28 and set up the arrangement  
12 that we talked about there.

13 A. That is another option, yes.

14 Q. Okay.

15 If Ameritech is engaging in a line-sharing  
16 arrangement with a data CLEC and Ameritech is  
17 providing the splitter, if the end user then wants to  
18 change its voice provider to someone other than  
19 Ameritech, is it fair to characterize your testimony  
20 as saying that there are no circumstances in which  
21 Ameritech will agree to provide the splitter when  
22 anyone other than Ameritech is providing the voice

1 service, even when Ameritech was providing the  
2 splitter to the data CLEC under line sharing  
3 previously?

4 A. Yes. Where we have no direct  
5 relationship with that voice customer, we would not  
6 be providing the splitter.

7 Q. Okay.

8 On the bottom of page 16 and the top of  
9 page 17 of your rebuttal testimony, Ms. Chapman, you  
10 discuss a situation there where you have a loop and  
11 then you have a switch that is unable to support  
12 three-way calling. Do you recall that hypothetical  
13 that you -- or that example?

14 A. Let me just read over it real quick so I  
15 know what you're talking about. I think I do.

16 (Brief pause in the proceedings.)

17 Yes.

18 Q. Okay. And in this situation then, the  
19 switch cannot support three-way calling. Correct?

20 A. I believe so. Yes.

21 Q. And what you state is when you connect a  
22 loop then to that switch, you indicate that that's



1 not a limitation imposed upon the available functions  
2 of the loop, but it's simply the natural outcome of  
3 choosing one arrangement over another one. Correct?

4 A. That is correct.

5 Q. Okay. Now in this scenario the switch is  
6 not physically capable of supporting three-way  
7 calling. Correct?

8 A. That's correct.

9 Q. Okay. So would you -- is it fair to say  
10 then that three-way calling is not a feature function  
11 or capability of that switch?

12 A. What I was saying is the loop is  
13 physically capable of carrying, supporting a  
14 three-way calling transmission over the loop, just as  
15 a loop is physically capable of transmitting both  
16 voice and data, carrying voice and data. Now if you  
17 hook up a loop to the switch, if that switch is  
18 capable of transmitting three-way calling, for lack  
19 of a better word, then the loop now can support  
20 three-way calling. If the switch cannot, then the  
21 loop cannot. It's not that the loop is any different  
22 or that the capabilities, features, and functions of

1       the loop are any different. It's just that under one  
2       scenario you can -- based on the configuration, you  
3       have different abilities, so that's just the same as  
4       it is with the splitter.

5           Q.     Let me reask my question. Maybe I didn't  
6       state it clearly. Is it your testimony that the  
7       three-way calling feature then is not a feature,  
8       function, or capability of the switch in your example  
9       that you use on page 16 and 17 of your rebuttal  
10      testimony?

11          A.     I was talking about the features and  
12      functionalities of the loop itself, not of the  
13      switch.

14          Q.     Okay, but I'm asking you about the switch  
15      that you refer to. Is it your testimony that the  
16      three-way calling then is not a feature, function, or  
17      capability of the switch?

18          A.     I guess I'm not following what you're  
19      saying because my testimony is about the features and  
20      functionalities of the loop, the capabilities of the  
21      loop, and how the capabilities of the loop are not  
22      any different. It's just that what you transmit over

1       them is a function of what you're connecting them to.

2           Q.     But isn't it correct, Ms. Chapman, that  
3       the reason that the loop can't transport or transmit  
4       the three-way calling function is because the switch  
5       doesn't have the three-way calling feature, function,  
6       or capability in it?

7           A.     Right.

8           Q.     Thank you.

9           A.     Just as the switch does not have a  
10       splitter functionality in it.

11          Q.     Thank you.

12          A.     Yes, that is what I'm saying.

13          Q.     Now, would you agree with me that in a  
14       UNE platform arrangement, the loop of that UNE  
15       platform combination, arrangement, whatever you want  
16       to call it, there is a high frequency portion of that  
17       loop, correct?

18          A.     Yes.

19          Q.     Okay. And, in fact, that high frequency  
20       portion of that loop is physically capable of  
21       supporting data services. Correct?

22          A.     Yes.

1 Q. Okay. Thank you, Ms. Chapman.

2 On page 21 of your rebuttal testimony,  
3 question: "Do Ameritech Illinois' proposed processes  
4 require collocation where none would otherwise be  
5 required?" I just want to explore that a little bit.  
6 I think we went through this a little bit before. I  
7 don't mean to be repetitive.

8 If AT&T is a UNE platform voice provider  
9 and the end user wants to add data service, AT&T is  
10 going to need to find -- either provide the data  
11 service by itself or find a data CLEC partner.  
12 Correct?

13 A. Yes. Obviously, you have to have someone  
14 to provide the data.

15 Q. Okay. And AT&T can't use an Ameritech  
16 splitter.

17 A. That's correct.

18 Q. Somebody has to own the splitter.

19 A. Yes.

20 Q. Okay. And I think you stated before that  
21 some data CLECs -- well, strike that.

22 The data CLEC has to be collocated.

1           A.     Yes.

2           Q.     Some data CLECs have splitters, some  
3     don't.

4           A.     Yes.

5           Q.     Okay. Now, in that scenario where I want  
6     to add a data service to my end user's loop and I'm a  
7     UNE platform provider, suppose the data CLEC doesn't  
8     have room in its collocation space for a splitter.  
9     In that case, the data CLEC will have to augment its  
10    collocation space, correct? Assume no room.

11          A.     Okay. Assuming that it was full and they  
12    couldn't find room for a very small piece of  
13    equipment, then, yes, that would be correct.

14          Q.     Okay, and then I think we spoke before  
15    that if the data CLEC, for whatever reason, doesn't  
16    want to have the splitter physically collocated in  
17    its collocation space, then I, the UNE-P provider,  
18    will have to establish collocation space. Correct?

19          A.     Again, in that unlikely situation, then  
20    yes.

21          Q.     And I would have to -- that unlikely  
22    situation, unlikely why?

1           A.     I think it is unlikely that the data CLEC  
2     would not want to have the splitter in their  
3     possession because they would want to be able to have  
4     access to it in order to run tests and everything  
5     else that we've discussed here. I would think that  
6     they would want to have access to that splitter, so I  
7     would think that would be an unlikely situation.

8           Q.     In fact, there are a number of data CLECs  
9     who do not have splitters in their own collocation  
10    space. Isn't that correct, Ms. Chapman?

11          A.     Yes, it is.

12          Q.     Okay. Thank you.

13                 So AT&T, if the data CLEC didn't have a  
14    splitter or didn't want to have a splitter, would  
15    have to establish a collocation space from square  
16    one. Correct?

17          A.     Again, with all those assumptions, yes,  
18    that would be correct.

19          Q.     Thank you.

20                 Now you have a lot of references in your  
21    rebuttal testimony to the Texas 271 Order. Correct?

22          A.     Yes, I do.

1           Q.     Okay.  And it's true, is it not,  
2     Ms. Chapman, that in its 271 Order the FCC stated  
3     that Southwestern Bell Telephone Company did not have  
4     a present obligation to furnish splitters?  Correct?

5           A.     Yes, that under the current rules that  
6     there is no requirement to provide splitters.

7           Q.     And is it fair to say that the FCC was  
8     looking at a snapshot in time in its order?  That is  
9     June 30, 2000.

10          A.     I would not agree that it was looking at  
11     June 30, 2000, particularly since AT&T's comments  
12     were filed much later than that, but, obviously, they  
13     viewed the materials that were available prior to the  
14     order, yes.

15          Q.     What AT&T comments did you just refer to?

16          A.     Shoot.

17          Q.     FCC comments?

18          A.     They were -- AT&T filed both ex partes  
19     and several affidavits relating to line splitting in  
20     the 271 filing.

21          Q.     Okay.

22          A.     So there was quite a bit of documentation

1 out there regarding basically the same issues.

2 Q. Are you talking after June 30th or  
3 before?

4 A. I believe after June 30th. I know we had  
5 a supplemental filing, so it would have actually been  
6 in the mid spring.

7 Q. Okay.

8 A. When some of these filings would have  
9 been made I believe.

10 Q. And you agree with me that the FCC said  
11 in its Texas 271 Order that the line splitting issue  
12 is a recent development and is subject to further  
13 negotiation and, if necessary, arbitration before the  
14 Texas Commission, correct?

15 A. If that's -- yes, I believe that's what  
16 it says, yes.

17 Q. Okay, and you cited that in your  
18 testimony.

19 A. Yes.

20 Q. Okay. Now, do you have the 271 Order  
21 before you?

22 A. No, I don't have a copy of it with me.



1 Q. Okay.

2 MS. HAMILL: Do you have an extra copy.

3 A. I mean I might have the whole cite in  
4 here.

5 MR. BINNIG: Yeah, we have extra.

6 MS. HAMILL: Thank you, Chris.

7 (Whereupon said document was  
8 provided to the witness by  
9 Mr. Binnig.)

10 Q. And would you turn to paragraph 329 of  
11 that order, Ms. Chapman?

12 A. Yes.

13 Q. Okay, and specifically the sentence that  
14 I just read appears in paragraph 329. "In any event,  
15 the parties' entire dispute on the question of line  
16 splitting is a recent development and is subject to  
17 further negotiation and, if necessary, arbitration  
18 before the Texas Commission." Correct?

19 A. Yes, and above that I would mention that  
20 it talks about that even if AT&T had fully developed  
21 this issue, this argument would lack merit and would,  
22 in any event, be unripe for our review here, so I

1 mean you kind of need to read the whole context of  
2 the paragraph, but, yes, it does say that.

3 Q. If I could redirect your attention though  
4 to the sentence that I read, do you see that  
5 immediately following that sentence the FCC's Texas  
6 271 Order references Footnote 916?

7 A. Yes.

8 Q. Okay. And do you see Footnote 916 at the  
9 bottom?

10 A. Yes.

11 Q. And that indicates that SWBT recently  
12 affirms that it is "interested in exploring the use  
13 of SWBT's splitters" in line-splitting arrangements  
14 and that it views this "as a potential business  
15 opportunity". SWBT June 6 ex parte letter at 2.  
16 Correct?

17 A. Yes, that is correct.

18 Q. Okay.

19 A. We would be interested in pursuing this  
20 as a business opportunity as a service at  
21 market-based rates for CLECs who would be interested.

22 Q. Ah, I see.

1           A.     So, yes, we would be interested in  
2     pursuing that.  It's not one of our current  
3     obligations.  However, yes, we would be interested in  
4     offering this as a service if anyone would be  
5     interested in negotiating with us.

6           Q.     A service at market-based rates, not  
7     TELRIC rates, correct?  Let me make that clear.

8           A.     Yes.  That's a direction that we are very  
9     interested in pursuing is that, in addition to our  
10    obligations under the Act, we want to begin  
11    developing services and products for our CLEC  
12    customers, you know, at market-based rates, and so in  
13    addition to all the things that we're required to  
14    provide, we want to also be able to provide services  
15    that the CLECs are interested in in addition to those  
16    that are required to be offered, so.

17          Q.     Okay.

18          A.     This would be one of those.

19          Q.     So is it your understanding then that  
20    SWBT told the FCC in this June 6th letter that it was  
21    interested in exploring the line-splitting option  
22    with CLECs such as AT&T?

1           A.     Yes.

2           Q.     Okay.  And at that time the FCC was  
3     actively considering the Texas 271 application.  
4     Correct?

5           A.     Yes.

6           Q.     Okay.  So is it your testimony now --  
7     well, I don't mean -- is it your testimony that you  
8     are still interested then in pursuing that  
9     opportunity with CLECs?

10          A.     Yes, we are.

11          Q.     Just not at TELRIC-based rates.

12          A.     That is correct, yes.

13          Q.     And just not in a UNE platform  
14     arrangement.

15          A.     How we would actually perform it, I mean  
16     it might not be called UNE-P, but we could probably  
17     do something similar to what AT&T is requesting as a  
18     service.  Yes, we would be interested in pursuing  
19     something like that that would be beneficial to both  
20     parties.

21          Q.     Because if it was a UNE platform,  
22     obviously -- well, is it your understanding that if

1       it was a UNE platform, TELRIC-based rates would  
2       apply?

3           A.     And the TELRIC-based rates would still  
4       apply to the UNE platform, the UNE pieces. It just  
5       would not apply to the service of us inserting a  
6       splitter for the CLEC and doing that piece of it. So  
7       the elements of the UNE elements would still be  
8       TELRIC-based. It would only be the service portion  
9       that was not a UNE that would be the market-based  
10      rates.

11          Q.     Do you have proposed rates for that?

12          A.     No, we have not developed the rates at  
13      this time, I don't believe.

14          Q.     Did you tell the FCC on June 6th that you  
15      were considering market-based rates for this service?

16          A.     I don't know that we used the phrase  
17      market-based rates but talking about it as a business  
18      opportunity. Obviously, you're not going to develop  
19      a business opportunity unless you're using a  
20      market-based rate. I mean that's how you do  
21      business. If you want to develop a business  
22      offering, you're wanting to do it generally to make a

1 profit.

2 Q. So if it's a business offering, it's safe  
3 for anybody to assume that you mean market-based  
4 rates.

5 A. I would think that if you're doing --  
6 pursuing a business opportunity, yes. I would think  
7 so, yes. If you're developing -- if anyone is going  
8 out there to develop a new product, I mean I just  
9 think that's common sense, personally.

10 Q. Well, do you consider Southwestern --  
11 strike that.

12 Do you consider Ameritech's provisioning  
13 of unbundled network elements in Illinois to be --  
14 and getting CLECs to use its network a business  
15 opportunity?

16 A. Not in the same sense, no. Those are our  
17 requirements, and it's something that we're required  
18 to do under the law, but, no, it's not something that  
19 is going to, you know, bring a lot of opportunities,  
20 you know, for our shareholders, but providing  
21 services to those CLECs and developing new market --  
22 new offerings for our CLEC customers in addition to

1       those, those are opportunities that will be  
2       beneficial to both us and the CLECs, so that is  
3       something we want to move towards.

4             Q.     So it's a business opportunity if you  
5       make a big profit, and it's not a business  
6       opportunity if you don't?

7             A.     If you don't make any profit, which is  
8       often the case with some unbundled network elements,  
9       then, no, it's not a business opportunity.  
10       Obviously, we're not out there to lose money. If we  
11       can make a reasonable product and provide a service  
12       that people want that allows them to make a profit,  
13       then that's good for everybody.

14            Q.     Do you understand that TELRIC-based rates  
15       give the ILEC the opportunity to earn a reasonable  
16       profit?

17            A.     In theory, yes. I don't believe in  
18       actuality we really earn a profit in many cases, but,  
19       you know, that's my personal opinion, but.

20            Q.     Do you have a cost background,  
21       Ms. Chapman?

22            A.     No, I don't. That's what I'm saying.

1       That's just my personal opinion.

2               Q.     Okay.

3                       Now you indicated earlier you testified in  
4       the AT&T/Southwestern Bell arbitration in Texas  
5       regarding line splitting.   Correct?

6               A.     Yes, I did.

7               Q.     Okay.   And Ms. Schlackman talked a little  
8       bit about the order in that case yesterday.   I just  
9       have a few questions for you on that order.

10              A.     Uh-huh.

11             Q.     Isn't it true that the arbitration panel  
12       in Texas found that it is discriminatory for  
13       Southwestern Bell Telephone to provide the splitter  
14       in a line-sharing context while not providing the  
15       splitter in a line-splitting context?

16             A.     I believe that is what they said.

17             Q.     Okay.   And isn't it also true that the  
18       arbitrators found that Southwestern Bell Telephone's  
19       policy will have the effect of severely limiting the  
20       number of data CLECs with which a UNE-P provider can  
21       partner in order to offer advanced services because  
22       many data CLECs are relying upon SWBT to provide the



1 splitter?

2 A. If you read that from the award, then I  
3 would agree that's what they said.

4 Q. And you've read the order.

5 A. Yes, I have. I just don't have it  
6 memorized.

7 Q. Okay. And the arbitrators found that  
8 Southwestern Bell's proposal significantly prohibits  
9 UNE-P providers from achieving commercial volume.  
10 Correct?

11 A. Again, if you read it from the order, I'm  
12 sure that's what it says.

13 Q. Okay, and finally, that the arbitrators  
14 concluded that it is "sound public policy" to require  
15 SWBT to provide AT&T with a UNE loop that is fully  
16 capable of supporting any xDSL service, correct?

17 A. Yes, and I believe that we do that today.  
18 I would note though that in Texas the Commission did  
19 not find for AT&T regarding the third-party issues,  
20 which is a big portion of the complication in line  
21 splitting, in that AT&T had proposed that basically,  
22 for instance, if Rhythms wanted to provide data

1 service over AT&T's UNE-P, that Rhythms would just  
2 send in the order, and AT&T basically wouldn't be  
3 involved, and that was not approved, so, you know, I  
4 just wanted to make that one distinction.

5 Q. Thank you.

6 When AT&T purchases the UNE platform,  
7 meaning a loop, a switch, and transport, is it true  
8 that Ameritech provides and maintains the loop?

9 A. Yes.

10 Q. Okay. Ameritech still owns the loop in  
11 that case. AT&T just leases it on a monthly basis.  
12 Correct?

13 A. I believe that is correct.

14 Q. Okay. And the same would hold true with  
15 the switch. AT&T leases the switch. Ameritech still  
16 owns it and maintains it. Is that correct?

17 A. Yes, I believe so.

18 Q. Okay. And that is a situation even  
19 though the end user belongs to AT&T and not  
20 Ameritech. Correct?

21 A. Yes. AT&T would have exclusive use of  
22 that facility, but.

1 Q. Okay.

2 Can you turn to I think it's Exhibit CAC-4  
3 of your rebuttal testimony, and it is the Accessible  
4 Letter for SBC Broadband Service dated September 6,  
5 2000, and let me know when you're there.

6 A. I think I'm almost there. Yes, I'm  
7 there.

8 Q. And, Ms. Chapman, if you'll turn -- well,  
9 I'm not sure what page it would be. Pages 4 and 5 of  
10 the actual agreement attached to CAC-4, the 13-State  
11 Agreement, the Accessible Letter contains several  
12 configurations for the Broadband Service. Correct?

13 A. Yes.

14 Q. Some are data service configurations and  
15 others are combined voice and data service  
16 configurations?

17 A. Yes.

18 Q. Okay. Now, isn't it true, Ms. Chapman,  
19 and I think the terms and conditions state, that  
20 collocation is required for each of the service  
21 offerings contained in the Broadband Service  
22 Agreement?

1           A.     Yes, where we would terminate the data.  
2     I'm sure Mr. Lube probably discussed that a little  
3     more, but yes.

4           Q.     Okay, and it would be the case then that  
5     a UNE platform provider would not be able to take  
6     advantage of the services that you list in this  
7     agreement unless it collocated.

8           A.     Well, again, this would be -- the data,  
9     again, is terminated at a CLEC's collocation cage,  
10    so, yes, in order to provide this data service, then  
11    you would need to be collocated.

12          MS. HAMILL:   Thank you.   I have no further  
13    questions.   Thank you, Ms. Chapman.

14          EXAMINER WOODS:   How much have you got,  
15    Mr. Schiffman?

16          MR. SCHIFMAN:   30 to 40 minutes.

17                               CROSS EXAMINATION

18          BY MR. SCHIFMAN:

19          Q.     Good morning, Ms. Chapman.   Ken Schiffman  
20    on behalf of Sprint.

21          A.     Good morning.

22          Q.     In your rebuttal testimony you mention

1       that your position with SBC is Associate Director  
2       Wholesale Marketing. Is that right?

3             A.     That is correct.

4             Q.     And what do you do in that position?  
5       What are your responsibilities?

6             A.     I deal with the wholesale marketing  
7       department, the group that is responsible for  
8       actually developing the products, and I handle the  
9       regulatory issues related to advanced services, so I  
10      review the FCC orders as they come out and am  
11      involved in some of the various state arbitrations  
12      and such.

13            Q.     So you help develop the products that SBC  
14      / Ameritech sells to its CLEC customers? Is that  
15      right?

16            A.     To a certain extent, yes, I do.

17            Q.     So you work with product management?

18            A.     Yes, I do.

19            Q.     Okay. And do you give input to product  
20      management?

21            A.     Yes, I do, on occasion.

22            Q.     Regulatory input to product management as

1 to what SBC/Ameritech's regulatory requirements may  
2 be?

3 A. Yes, yes, as they would apply to the  
4 development of the product, yes.

5 Q. Okay. And obviously the goal of your  
6 wholesale group is to make your CLEC customers happy.  
7 Right?

8 A. The goal of our group is to develop  
9 product offerings that are compliant with all the  
10 requirements and, yes, we try to do it in a way that  
11 will be beneficial to the CLECs and for ourselves as  
12 well.

13 Q. I'm going to be talking to you a little  
14 bit about your Broadband Product Service offering.  
15 Okay?

16 A. Okay.

17 Q. It's set forth I believe in Schedule  
18 CAC-4 to your testimony. Is that right?

19 A. Yes.

20 Q. Okay, and that's an Accessible Letter  
21 that Southwestern Bell issued on September 6, 2000.  
22 Is that right?

1           A.     Yes, and actually this is an Interim  
2     Agreement that's attached, but yes.

3           Q.     Okay. We'll get into that a little bit.

4                     At the bottom of -- well, first of all, it  
5     says in the second paragraph that the service is  
6     offered to CLECs as a stand-alone service agreement  
7     and not offered in the context of interconnection  
8     agreements negotiated under Section 251 /252 (c)(2)  
9     of the Telecom Act of 1996. Is that right?

10          A.     That is correct.

11          Q.     Okay. And did you make the decision not  
12     to have the offering be subject to Sections 251 and  
13     252 of the Act?

14          A.     No, I didn't make that decision. It's  
15     just that it's not part of our current unbundling  
16     requirements, and so it would not fall under that,  
17     but we are voluntarily making this available to  
18     everybody on nondiscriminatory terms, so.

19          Q.     Were you here for the testimony of  
20     Ms. Schlackman yesterday?

21          A.     Yes, I was.

22          Q.     And were you aware Ms. Schlackman

1 testified in her direct testimony that Broadband  
2 Service offering would be offered pursuant to 251 and  
3 252 of the Act?

4 A. Yes, and I believe she also stated later  
5 that she was mistaken in that and just made a  
6 mistake.

7 Q. So at one point SBC/Ameritech did intend  
8 to offer the offering subject to Sections 251 and 252  
9 of the Act. Is that correct?

10 A. I don't know that that is correct.

11 Q. At least as of the time that  
12 Ms. Schlackman submitted her direct testimony.  
13 Right?

14 A. I think that may have just been a mistake  
15 on her part. I don't believe that was -- no, that  
16 was not the position at the time she submitted her  
17 testimony. It has not been the position for some  
18 time. I know that for a fact.

19 Q. Are the rates that -- I'm sorry. Since  
20 when has that been your position?

21 A. I believe it may have always been the  
22 position. However, I will say -- you were just



1 getting ready to mention something about the rates.  
2 I would say that the rates, since we have agreed  
3 voluntarily to offer these at rates that are set in  
4 accordance to the UNE guidelines for rate setting,  
5 that we would agree to arbitration proceedings for  
6 the rates themselves in order to set UNE-based  
7 TELRIC-based rates.

8 Q. But not the terms and conditions  
9 surrounding the actual Interim Service Agreement.  
10 You believe that that is not subject to arbitration.  
11 Is that correct?

12 A. Right, as it's not part of our unbundling  
13 obligations.

14 Q. Under your view of the world, right?

15 A. Well, yes.

16 Q. Okay.

17 And you state at the bottom of that  
18 Accessible Letter or your company states at the  
19 bottom of that letter that SBC reserves the right to  
20 change, modify, and/or withdraw the Broadband  
21 Service, in its sole discretion. Is that correct?

22 A. That is correct, and it's primarily due

1       to possible regulatory action. For instance, were --  
2       this is prior to the FCC's ruling. Had FCC decided  
3       that in order to offer this we would be required to  
4       own the card, it would be too cumbersome and  
5       expensive for us to be able to offer this at all, so  
6       we would probably have withdrawn the offer in its  
7       entirety and just not offered any Broadband Service,  
8       so based upon if a ruling that a particular -- that  
9       the FCC or a particular state might make regarding  
10      the offering, if it became too burdensome to offer  
11      it, then we might not be able to offer it at all, so  
12      that's primarily what that was addressing.

13               However, obviously, once we enter a  
14      contract with any CLEC, then we're going to be bound  
15      by the terms of that contract, so we wouldn't be able  
16      to just withdraw it outside of what the contract  
17      requirements would state, so.

18           Q.     And this letter was issued on September  
19      6th. The Project Pronto waiver order came out on  
20      what date? Do you know?

21           A.     I think it was the 12th.

22           Q.     September 8th.

1           A.     September 8th.

2           Q.     September 8th, right.  Has SBC modified  
3     this Accessible Letter since the September 6th  
4     Accessible Letter?

5           A.     No.  Again, states could also impose  
6     requirements that would make it basically  
7     unmanageable for us to offer the service, so I don't  
8     believe we have modified the letter.

9           Q.     Okay.  If this Commission were to order  
10    SBC/Ameritech to unbundle the Project Pronto  
11    offering, as it has already pending rehearing, I'll  
12    acknowledge that, if the Commission affirms its  
13    previous decision in the Rhythms/Covad arbitration or  
14    orders here in this case that the Project Pronto  
15    Broadband Service offering be unbundled and offered  
16    to CLECs on an unbundled network element basis, is it  
17    your company's position that you will not invest  
18    money in the Illinois market and offer Broadband  
19    Services to Illinois customers?

20          MR. BINNIG:  I'll object to the vagueness of  
21    the question.

22          MR. SCHIFMAN:  I think the witness can answer

1 the question.

2 EXAMINER WOODS: I don't think it's vague. She  
3 can answer it.

4 A. That is a very broad question. It would  
5 depend I suppose on the exact terms of whatever was  
6 ordered. Obviously, we're going to comply with  
7 whatever the laws are. However, it could definitely  
8 impact the investment if investing in our network is  
9 going to cause us harm. So depending on how that  
10 would read, it could impact the investment, and it  
11 could also impact I suppose future investments if we  
12 were deciding whether or not we were going to invest  
13 something.

14 Q. So is it your position that if you have  
15 to offer parts of your network according to Section  
16 251 of the Act, that that causes your company harm?

17 A. Not necessarily, no. It would depend on  
18 how we were required to offer something, and if we  
19 were required to offer something in a way that was so  
20 burdensome it was totally unmanageable and, you know,  
21 extremely costly and expensive, then no -- I mean  
22 then yes, that would cause harm, but in some cases

1 no. You know, offering, you know, unbundled network  
2 elements does not necessarily cause harm, no.

3 Q. Offering of unbundled network elements  
4 does not harm your company. Correct?

5 MR. BINNIG: I think it has been asked and  
6 answered.

7 EXAMINER WOODS: I think she just answered that  
8 question.

9 MR. SCHIFMAN: Okay.

10 Q. Your company has made a big investment in  
11 Project Pronto. Is that correct?

12 A. Yes, and we are continuing to do so.

13 Q. Okay. And your testimony, various places  
14 in your testimony discusses the fact that if your  
15 company has to unbundle the Project Pronto offering,  
16 your company will have to seriously consider whether  
17 or not to continue that investment. Is that right?

18 A. That is something that will have to be  
19 considered. Obviously, anytime you make an  
20 investment, you're expecting a return on the  
21 investment, and if we can't get a return on the  
22 investment, then, you know, we're going to have to

1 consider that we have stockholders we have to be  
2 accountable to, so yes.

3 Q. But you've already stated that you're  
4 going to be offering the broadband offering to CLECs  
5 on a TELRIC-based rate basis. Is that right?

6 A. That is correct. We are going to offer  
7 it to all CLECs on TELRIC-based rates, yes.

8 Q. Okay. So your offering that you're  
9 providing us, you're going to get a reasonable return  
10 for your investment based on the TELRIC methodology.  
11 Right?

12 A. In the current way that we are offering  
13 it as a service, then, yes, but, as I said before,  
14 depending on the regulatory requirements, it could  
15 become something that was not supportable. As I  
16 said, you know, the ownership of the line cards, I'm  
17 sure Mr. Lube went into that with some detail about  
18 how that would make things a lot more difficult to  
19 manage. You know, there's just things that would  
20 have to be considered if the way that we were  
21 offering it changed and whether or not it would be  
22 economical anymore.

1           Q.     Okay.  So according to this Interim  
2     Agreement that is attached to your testimony here,  
3     there's some prices given in a pricing appendix.  Is  
4     that right?

5           A.     Yes.

6           Q.     And you stated that those prices are  
7     subject to Illinois Commerce Commission review.  Is  
8     that right?

9           A.     Yes.  We do believe, since we agreed to  
10    set TELRIC-based UNE rates, that it would be  
11    appropriate to engage in arbitrations on a state -  
12    specific basis for the rates.

13          Q.     So if my company, Sprint, doesn't like  
14    the rates that you're offering for this offering,  
15    you're agreeing that we could conduct an arbitration  
16    with you regarding that issue.  Is that right?

17          A.     Yes, that is correct.

18          Q.     Okay.

19                 Can you explain the pricing appendix in  
20    Illinois for us, just to get a feel for how much it's  
21    going to cost my company to provide the Broadband  
22    Service offering?

1           A.     I can try.

2           Q.     I believe it's page 39 of your Attachment  
3     CAC-4.

4           A.     Okay.

5           Q.     Since we're in Illinois, let's talk about  
6     the Illinois rates.

7                     (Pause in the proceedings.)

8           EXAMINER WOODS:  Is there a question pending?

9           MR. SCHIFMAN:  Oh, I'm sorry.  I asked her to  
10    explain the rates in the appendix for us.

11          A.     I don't know what --

12          Q.     Well, if I want to do an offering, if I  
13    want to provide service to one customer, how much is  
14    it going to cost my company?

15          A.     Well, that's going to depend on how many  
16    customers you're serving out of a central office  
17    because the way the product works is you'd share the  
18    piece from the RT back to the central office, and  
19    multiple customers go on that, so depending on the  
20    number of customers, the concentration, your per  
21    customer price is going to vary.

22          Q.     Okay.  I've got one customer in Chicago.



1 Sprint signs the Interim Agreement. We want to try  
2 this service out. How much is it going to cost my  
3 company?

4 A. How are you providing the service? What  
5 are you providing?

6 Q. Well, what are my options?

7 A. Well, currently we have a line-shared  
8 option and a non-line-shared option, so if you were  
9 providing data only or you would provide the line-  
10 shared option.

11 Q. Data only or there's a voice and data  
12 option?

13 A. The options are currently, we're  
14 developing another one, where Ameritech is providing  
15 the voice, if you want to share the copper portion of  
16 the loop and provide data over that copper portion,  
17 then there's that option where you'd provide the data  
18 and we would provide the voice, and there's also  
19 where you just want to provide the data. You don't  
20 want to share that copper portion of the loop.

21 We are also developing one where the data  
22 CLEC can provide the voice and the data, but that's

1 not fully developed yet, and so there's a lot of it  
2 that's not applicable at the moment because those  
3 prices haven't been developed yet.

4 Q. Okay. So I want to do the data only.

5 A. Okay. So you would order the DSL  
6 subloop, the data only. It's got a recurring charge  
7 of 9.30 a month.

8 EXAMINER WOODS: \$930.

9 A. No, I'm sorry; \$9.30 a month.

10 EXAMINER WOODS: I was going to get one.

11 (Laughter)

12 MR. BINNIG: Get one or sell one?

13 EXAMINER WOODS: Get one to sell.

14 A. Let's see. I believe you'd have the DLE -  
15 ADSL PVC, private virtual circuit, at \$7.81, and then  
16 you're going to have -- since you only have one  
17 customer, I'm assuming you would go with the DC3 port  
18 as opposed to the OC3, which would be \$88.13 a month,  
19 and, again, that's something that you would provision  
20 multiple customers on.

21 Q. But I have to obtain those multiple  
22 customers in order to spread it out amongst those

1 customers.

2 A. Right. And did I give the price on that?

3 Q. You did, but you didn't give the  
4 nonrecurring yet.

5 A. Okay. Okay. The nonrecurring, I didn't  
6 always do nonrecurring as well, \$229.78.

7 Q. \$229?

8 A. Yes, \$229.78. Let's see. I really need  
9 to picture this things to make sure I'm including all  
10 the elements because just listed out like this it's a  
11 little difficult I believe, and you're also going to  
12 need a cross-connect for that DS3, and that would be  
13 -- that again is a one-time charge. I mean it's a  
14 one -- you establish one, and you use it for all the  
15 customers served by that central office, and that  
16 would be the \$33.14 recurring and it's \$154.41  
17 nonrecurring.

18 Q. Okay. So if I add up all those numbers,  
19 and we won't do it here, but that's how much it's  
20 going to cost my company to provide this Broadband  
21 Service to one customer, and, of course, we can  
22 spread out some of those monthly recurring charges

1 for those ports by obtaining more customers. Right?

2 A. Yes.

3 Q. Okay. You say this is an Interim  
4 Agreement. It's about a 39-page Interim Agreement.

5 A. Uh-huh.

6 Q. What is the term of the Interim  
7 Agreement?

8 A. I'll have to look. Basically the purpose  
9 of an interim agreement is just to allow the CLEC to  
10 go ahead and enter the market while they're  
11 negotiating, so particularly on an emerging product  
12 like this where speed of entry is important, that's  
13 why we've made this available.

14 One year. It's in Section 34.

15 Q. Okay. But, as you state in your  
16 Accessible Letter, if there are some regulatory  
17 requirements that occur or regulatory developments  
18 that occur I guess is the right way to phrase it, the  
19 CLEC does not know if it's going to be able to obtain  
20 a non-interim agreement. Is that correct?

21 A. If they have not gone ahead and  
22 negotiated a permanent agreement and something comes

1 up prior to that, then, yes, that could be an issue.

2 Q. Okay. Have any CLECs signed the Interim  
3 Agreement that you provide here in your testimony?

4 A. I believe so, but I'm not certain.

5 Q. Has AADS signed the Interim Agreement?

6 A. In Illinois? I am not certain. I  
7 believe they may have.

8 Q. Has AADS signed the agreement in other  
9 states?

10 A. And, again, I believe they have, but I  
11 would have to check.

12 Q. Has SBC's affiliate, ASI, signed the  
13 Interim Agreement in any state?

14 A. And, again, I believe so.

15 Q. Have any other CLECs besides AADS and ASI  
16 signed the Interim Agreement?

17 A. I believe so, but, again, I would have to  
18 check with our contract group to determine who and  
19 when.

20 Q. Sitting here today, you don't know if  
21 there is any?

22 A. My understanding is that there is, but I

1       didn't go and check to see who signed, so I wouldn't  
2       want to misspeak, and, again, I'm not positive it was  
3       the interim and not a permanent agreement either, so.  
4       I believe we have CLECs who have signed.

5               Q.     All right.

6               EXAMINER WOODS:  If you're not going to ask, I  
7       am going to ask at the time of the initial brief we  
8       be provided an exhibit showing --

9               MR. BINNIG:  Who has signed?

10              EXAMINER WOODS:  I'm not necessarily interested  
11     in the particular parties other than the  
12     subsidiaries.  If it's other CLECs, that may or may  
13     not be proprietary, but I would be interested to know  
14     if SBC or Ameritech subsidiaries have signed and  
15     which states they have signed and what other CLECs  
16     have signed, although I'm not particularly interested  
17     in the exact companies.

18              MR. BINNIG:  So we could give you a number?

19              EXAMINER WOODS:  Yes.

20              MR. BINNIG:  Say X number of CLECs.

21              MS. HIGHTMAN:  And do you want them interim and  
22     permanent?

1 EXAMINER WOODS: I can't hear you.

2 MS. HIGHTMAN: Interim and permanent?

3 EXAMINER WOODS: I think that would be a good  
4 idea.

5 MS. HIGHTMAN: Yeah.

6 MR. SCHIFMAN:

7 Q. Did you engage in any negotiations with  
8 AADS about the terms of the Interim Agreement?

9 A. No.

10 Q. They signed it as is. Right?

11 A. I don't know, like I said.

12 Q. You said they've signed it.

13 A. I said I believe so, but I don't know  
14 that they signed -- I don't know exactly what they  
15 signed. I didn't see a copy of it, so I just  
16 wouldn't want to testify about something that I don't  
17 know personally.

18 Q. Were you involved in the negotiations  
19 with AADS?

20 A. No, I was not.

21 Q. With ASI?

22 A. No.

1 Q. Who at SBC would do that?

2 A. Their account manager would be involved  
3 and generally a network negotiator, but I don't know  
4 specifically which person it would have been.

5 Q. Okay.

6 A. Or people.

7 Q. Ms. Chapman, in your testimony at page 36  
8 you state -- well, it's line 24 and then it goes over  
9 to page 37 the first couple of lines. You state that  
10 burdensome unbundling or collocation requirements  
11 will discourage future investments of this nature,  
12 slowing the deployment of advanced services and  
13 limiting competition. Do you see that testimony?

14 A. Yes, I do.

15 Q. Were you here yesterday when  
16 Ms. Schlackman testified that SBC has continued to  
17 invest in their copper loop plant?

18 A. Yes.

19 Q. Since the '96 Act?

20 A. Yes.

21 Q. And you agree that SBC/Ameritech has an  
22 obligation to unbundle the elements of its copper



1       loop plant?

2           A.     Oh, yes.

3           Q.     Okay.

4           A.     I was just speaking here about these are  
5       additional options that are available, and some  
6       customers are currently -- you can't serve them using  
7       the existing technologies due to their distance from  
8       the central office, and so this is -- this will speed  
9       up the availability of DSL services to end users.

10          Q.     And you agree that DSL services can be  
11       provided over the copper loop plant.  Is that  
12       correct?

13          A.     Yes, and over the copper loop, subloop.  
14       I didn't say that right; a copper subloop as well.

15          Q.     When you were developing your Broadband  
16       Service offering -- let me strike that because  
17       there's a place in your testimony that I want to  
18       refer you to.

19          A.     Sure.

20          Q.     Okay.  It is on page 38, line 20.  
21       There's a sentence that says, "As ILECs become free  
22       to work cooperatively with CLEC customers in the

1 development of mutually beneficial product offerings,  
2 true competition will bloom and flourish."

3 A. Uh-huh.

4 Q. It's beautifully written.

5 A. Thank you.

6 MS. HIGHTMAN: Do you need a Kleenex?

7 MR. BINNIG: Flowery language, isn't it?

8 MR. SCHIFMAN: Tito, get me a Kleenex.

9 Q. Did you work cooperatively with any CLECs  
10 in developing the Broadband Service offering?

11 A. We're currently working cooperatively  
12 with the CLECs, yes.

13 Q. AADS and ASI?

14 A. All the CLECs. We are currently holding  
15 collaboratives. In fact, I think we've got a big  
16 meeting is it next week? I forget the date, or maybe  
17 it's later this week. I have been out of the office  
18 so much I forget, but we're having regular  
19 collaborative sessions now.

20 Q. But the actual development of the product  
21 that's set forth in the Interim Agreement here, did  
22 your group work with CLECs in determining if this

1 type of product is the type of thing that CLECs want?

2 A. Well, when we were deciding what we  
3 wanted to invest in our network, no. We decided  
4 based on what we wanted to invest in our network, but  
5 as far as we try to develop products that we think  
6 the CLEC community will like based on feedback and  
7 things that we've heard from the CLECs, so, yes, we  
8 take what has been said into consideration.

9 Q. At the time of this -- I guess the first  
10 Interim Agreement came out with the May 24th  
11 Accessible Letter. Right?

12 A. That's probably correct.

13 Q. Development wasn't done at that time to  
14 say, CLEC, do you want an offering like this, or --  
15 I'll just leave the question at that. Was any  
16 development done to ask CLECs is this the type of  
17 offering you want?

18 A. We've had -- I'm not sure on the timing  
19 of it. I know, you know, we've had some meetings and  
20 some forums where we did have discussions with the  
21 CLEC. I'm not sure on the -- the CLEC community.  
22 I'm not sure on the timing of before or after the May

1       24th release, or it may have been coincidental with  
2       it as far as a formal request of that nature. But,  
3       obviously, if we're going to develop a market  
4       offering, we're going to try to develop one that we  
5       think our customers are going to want to buy.

6             Q.     Sure.

7                    I believe you went over with Ms. Hamill  
8       that even if a CLEC buys the broadband offering, that  
9       the CLEC has to collocate in an Ameritech central  
10      office in order to provide that service. Is that  
11      right?

12            A.     Yes.

13            Q.     Okay.

14                    Are you aware that Covad and SBC struck a  
15      settlement recently?

16            A.     Yes.

17            Q.     Okay. And do you have any knowledge of  
18      some of the terms of the settlement?

19            A.     I have some general knowledge of it. The  
20      terms haven't been provided to us yet, so I don't  
21      have a copy of anything.

22            Q.     Okay. Let me pass this out.

1                   (Whereupon Sprint Cross Chapman  
2                   Exhibit 1 was marked for  
3                   identification.)

4           MR. SCHIFMAN: Your Honor, for the record, I've  
5           given the witness an exhibit marked for  
6           identification Sprint Cross Exhibit Chapman 1.

7           EXAMINER WOODS: Close enough.

8           MR. SCHIFMAN: Close enough.

9           MS. HIGHTMAN: All the right words are there.

10          MR. SCHIFMAN: It may be in the wrong order.

11          EXAMINER WOODS: We'll reflect it in the record  
12          the way the Court Reporter marks it.

13          MR. SCHIFMAN: Thank you, Your Honor.

14          Q.     Ms. Chapman, have you ever seen this  
15          exhibit before?

16          A.     I may have. I saw something similar to  
17          this. I'm not sure if it's the exact same one, but I  
18          think I have.

19          Q.     Do you recognize this as a news release  
20          issued by Covad and SBC describing a settlement that  
21          those two companies reached?

22          A.     Yes.

1 Q. Okay.

2 And on the second page of that news  
3 release it talks about some of the terms of the  
4 settlement. Is that right?

5 A. Let me see.

6 EXAMINER WOODS: First full paragraph.

7 (Pause in the proceedings.)

8 A. Yes.

9 Q. Okay. And one of the things that it  
10 talks about is on the -- in the first full paragraph  
11 of the second page, the last sentence states, "In  
12 addition, the parties agreed upon a 13-state,  
13 line-sharing price consisting of a \$10 nonrecurring  
14 charge and a \$5.75 monthly recurring charge for all  
15 physical elements of the line-sharing UNE, including  
16 installation." Do you see that?

17 A. Yes, I do.

18 Q. Okay. Are you familiar with the  
19 nonrecurring charges that Ameritech is offering here  
20 in this state as part of its line-sharing offering?

21 A. I'd have to review them to be familiar  
22 with the exact price, but I'm familiar with what

1       we're -- what we have nonrecurring charges on, yes.

2           Q.     Okay. I don't know if your counsel wants  
3       to hand you the tariff pages on that. I was just  
4       going to review them with the witness.

5           MR. BINNIG: I don't have any problem with you  
6       reviewing the tariff pages, but I mean to save time,  
7       I know Ms. Chapman is in a hurry. We'll stipulate  
8       they say what they say.

9           MR. SCHIFMAN: Okay. They say what they say.  
10      Okay.

11          Q.     Nonrecurring charges for the offering  
12      include a service ordering charge of \$13.17, a line  
13      connection charge of loop per termination of \$25.08,  
14      then a cross-connection service per loop  
15      cross-connected, and it gives a charge where you have  
16      to see another part of the tariff. Do these charges  
17      sound familiar to you?

18          A.     Yes. Again, I haven't seen Covad's  
19      actual agreement. I do not believe that the service  
20      order charges would be part of that. Those are not  
21      included in the DSL HFPL appendix. That's part of  
22      the underlying agreement, so. I believe, but, again,

1 I haven't seen this so it's kind of difficult to know  
2 for sure, but I believe that the charges that this is  
3 talking about are going to be the cross-connect  
4 charges, which are the nonrecurring charges for a  
5 HFPL, but, again, without seeing the agreement, I  
6 really have no way of, you know, doing a comparison.

7 Q. Right.

8 MR. BINNIG: And on that topic, you may -- I  
9 mean I think this can all be done in brief, but the  
10 testimony of Mr. O'Brien had some revised tariff  
11 pages attached to it. You may want to make sure that  
12 you're looking at those as well.

13 MR. SCHIFMAN: Yeah, I did see, and I believe  
14 these are the same tariffs.

15 MR. BINNIG: Okay.

16 MR. SCHIFMAN:

17 Q. So based on the press release that your  
18 company issued, the nonrecurring charges for Covad  
19 are \$10 per month for line sharing -- for all  
20 physical elements of the line-sharing UNE, including  
21 installation. Is that right?

22 A. Let's see. Well, you said \$10.



1           Q.     Oh, I'm sorry.   \$10 nonrecurring charge,  
2     not monthly.

3           A.     Yes, I understand that it says that it's  
4     a \$10 nonrecurring charge, which I believe, according  
5     to the way we price these, would be for the  
6     cross-connect, the physical work that we do on the  
7     cross-connects, and then a \$5.75 monthly charge,  
8     which I believe would be for the HFPL UNE.

9           Q.     Okay.  And as part of your duties as a  
10    wholesale marketing person, does your company plan to  
11    offer to CLECs line sharing at the rates that are  
12    mentioned in this Cross Exhibit 1?

13          A.     Yes.  If any CLEC would be interested in  
14    MFNing into this agreement once it's --

15          EXAMINER WOODS:  Interested in what?

16          A.     MFNing, most favored nation.  Basically  
17    it's accepting the agreement as is.

18          MR. BINNIG:  It's a technical legal term.  It's  
19    252(i), Your Honor.

20          MR. BOWEN:  Objection.  Lawyer testimony by a  
21    lawyer.

22          A.     This is a 13-state agreement with

1       averaged rates, so if a CLEC was interested, they  
2       would need to take the 13-state agreement.  
3       Obviously, if they're not operating in all 13 states,  
4       it would only apply in the states they operate in,  
5       but since it's averaged rates, it's not available on  
6       a state-by-state basis, but, yes, anyone else could  
7       have the same exact terms and conditions that are  
8       made available to Covad, obviously.

9           Q.     At this time do you plan to amend your  
10       tariff to reflect the charges that are set forth in  
11       the Covad agreement?

12          A.     No.   We would not amend a state-specific  
13       rate for a 13-state averaged rate.   No, we would not.  
14       The 13-state average is just that.

15          Q.     So if Sprint is operating in all 13  
16       states that SBC has an ILEC in, then we would have to  
17       -- if we want to take advantage of the \$10  
18       nonrecurring charge and the \$5.75 monthly recurring  
19       charge, we would have to sign -- we would have to  
20       252(i), sign a contract via the 252(i) provision for  
21       all 13 states.   Is that right?

22          A.     Right, because this is what this

1       agreement is. It's a 13-state agreement, so you  
2       would take that same agreement, yes.

3           Q.     And if Sprint had a different business  
4       plan than Covad but still wanted to obtain the rates  
5       that Covad has in its agreement with SBC and did not  
6       want to sign an agreement whereby we on a 13-state  
7       basis obtain all the terms and conditions that Covad  
8       has, we would not be able to get those charges that  
9       are set forth in the Covad agreement?

10          A.     Well, they would not be able to take the  
11       Covad agreement. Now whether or not they would be  
12       able to negotiate something similar I can't say. It  
13       would depend on what terms were agreed to in the  
14       Sprint agreement.

15          MR. SCHIFMAN: Okay. No further questions,  
16       Your Honor.

17          EXAMINER WOODS: Okay. Let's take ten minutes.

18          MR. SCHIFMAN: Oh, let me move into the record  
19       Sprint Chapman Cross Exhibit 1, please.

20          MS. HIGHTMAN: Seven exhibit Chapman cross.

21          EXAMINER WOODS: Without objection.

22          MR. BINNIG: No objection, Your Honor.

1 (Whereupon Sprint Cross Chapman  
2 Exhibit 1 was received into  
3 evidence.)

4 (Whereupon a ten-minute recess was  
5 taken.)

6 EXAMINER WOODS: Back on the record.

7 Who is next? Mr. Bowen.

8 MR. BOWEN: Thank you, Your Honor.

9 CROSS EXAMINATION

10 BY MR. BOWEN:

11 Q. Good morning, Ms. Chapman. Nice to see  
12 you again.

13 A. Good morning.

14 Q. Can I ask you first, do you have an  
15 engineering undergraduate degree?

16 A. No.

17 Q. Okay. And you say on page 1 on lines 15  
18 and 16 that part of your duties are to guide  
19 compliance with the FTA and federal and state laws  
20 concerning the continued implementation of the FTA.  
21 Do you see that?

22 A. Yes.

1           Q.     What does that mean?

2           A.     Basically it means that part of what I do  
3     is look at the orders that come out both out of the  
4     FCC and out of the various state commissions. I'm  
5     responsible for advanced services offering so I look  
6     at it in that context and try to make sure that what  
7     we are offering is compliant with that and that we  
8     follow all the laws of the land basically.

9           Q.     Okay. Are you a lawyer?

10          A.     No, I'm not. I review those from an  
11     implementation standpoint, you know, in a lot of --  
12     well, obviously you have to be able to implement the  
13     law, so, no, I don't try to interpret the legal  
14     aspects of it but rather the physical implementation,  
15     the product aspects of what is written.

16          Q.     Okay. So is it fair to say that your  
17     testimony as you address the Federal  
18     Telecommunications Act and state laws and FCC orders  
19     and so forth, that testimony is the testimony of a  
20     nonlawyer? Is that fair?

21          A.     Yes. Again, it's as a person who is  
22     actually working in the implementation side of those

1 laws, so, but not from a legal perspective.

2 Q. Okay. Now do you work in wholesale  
3 marketing right now? Is that right?

4 A. Yes.

5 Q. And I want to key off a couple questions  
6 that Sprint's counsel asked you. I wasn't quite  
7 clear on whether or not you actually had asked any  
8 CLECs what they wanted. Isn't it true that you  
9 didn't ask Rhythms what they wanted with respect to  
10 the use of the Pronto network before you rolled out  
11 your wholesale Broadband Service offering?

12 A. Again, I'm not positive of when we began  
13 talking with the CLECs and doing the collaboratives,  
14 getting CLEC input. That may be the case. I don't  
15 know the timing. I know we were developing the  
16 product prior to the collaborations, and then we've  
17 collaborated since.

18 Q. Okay. Is your undergraduate degree in  
19 marketing?

20 A. No.

21 Q. Okay. Well, wouldn't it be fair to -- or  
22 would you agree with me that marketing groups in

1       other companies try to find out what their customers  
2       want before they offer products to them?

3           A.     As a general rule, yes. I believe that  
4       is true. I believe the CLECs are pretty vocal about  
5       a lot of their wants, and so, you know, we are aware  
6       about some of the wants and desires of the CLECs, but  
7       yes.

8           Q.     Okay. Well, for example, Proctor &  
9       Gamble probably wouldn't offer a new toothpaste  
10      without trying to find out what the market wanted,  
11      would it?

12          A.     I really don't know what Proctor & Gamble  
13      would do, but.

14          Q.     Have you ever worked in marketing for any  
15      other company besides SBC?

16          A.     No.

17          Q.     Okay. Do you specifically recall -- I  
18      asked the question about Rhythms. Do you  
19      specifically recall asking any CLEC besides AADS or  
20      SBC ASI before you rolled out the wholesale broadband  
21      offering what they wanted exactly?

22          MR. BINNIG: I'm going to object to the

1 question. I think it assumes facts not in evidence.

2 EXAMINER WOODS: I didn't hear the question.

3 I'm sorry.

4 MR. BOWEN: I asked the witness whether she  
5 recalls asking any CLEC specifically, besides SBC ASI  
6 and Ameritech AADS, what they wanted before they  
7 rolled out the Broadband Service offering.

8 EXAMINER WOODS: Overruled. You can answer.

9 A. I don't recall asking any CLEC, including  
10 ASI and AADS, specifically what they wanted before  
11 the product was rolled out.

12 Q. Okay. Are you clear that what Rhythms  
13 wants is UNes under the Pronto architecture? Do you  
14 have any doubt in your mind about that?

15 A. I understand that is part of what Rhythms  
16 has requested, yes.

17 Q. And you're clear on that. Right?

18 A. I think so.

19 Q. How long have you been clear on that do  
20 you think?

21 A. Probably since Rhythms first said that.  
22 I don't know the date.



1           Q.     Okay.  And when do you recall that being?  
2     Was it during the Texas proceeding, for example?

3           A.     No, I don't believe it was actually in a  
4     proceeding.  I believe it was at one of the workshops  
5     that we had before the Texas proceeding, but, again,  
6     I'm not certain the first time I've heard it.

7           Q.     Do you recall you and I sitting in front  
8     of the Texas Commission in a ADSL workshop and me  
9     saying that Rhythms wanted Project Pronto as UNES?

10          A.     I do remember that a couple of months ago  
11     I believe it was.

12          Q.     Okay.  Do you ever feel as though you're  
13     working in the Department of Competition Prevention?

14          A.     No.

15          MR. BINNIG:  I'll object to the question.

16          Q.     Okay.

17          A.     I feel exactly the opposite actually.

18          Q.     When do you plan to take any account and  
19     take any action in response to Rhythms' request to  
20     get access to the Pronto architecture as UNES?

21          A.     I really don't know how to answer that  
22     question.  I believe we've listened to your account.

1 I don't know that we agree that it's appropriate, and  
2 it's technically infeasible to unbundle the elements  
3 that are required to provide the service, so I don't  
4 know how to answer that.

5 Q. Okay. Is it fair to say you have no  
6 current plans to respond affirmatively to our request  
7 to get access to Pronto as UNEs?

8 A. I would say that, yes, we do not intend  
9 to offer as UNEs this voluntary service.

10 Q. Okay. Do you think -- again, I want to  
11 ask you about -- because you do speak about this and  
12 it's your job to interpret and apply the  
13 Telecommunications Act of '96, so I want to ask you  
14 questions, again, as a lay witness, not as a lawyer  
15 for this whole series here. Do you think that  
16 Ameritech has an obligation to unbundle its network  
17 in general?

18 A. In general, I believe we are required to  
19 unbundle elements of our network that are technically  
20 feasible to unbundle, particularly our embedded  
21 network that was built up over years and years and  
22 years, you know, prior to the advent of competition,

1       so.

2               Q.     Okay.  And what provision of the Telcom  
3     Act do you think creates that obligation?  If you  
4     recall.

5               A.     I believe that would be the 251.  I'd  
6     have to look at it.  I've read through it, and I'm  
7     not real good with numbers.

8               Q.     Okay.

9               A.     Specifically which letter under that.  I  
10    mean there's all these subparagraphs and parentheses  
11    and all that.

12              Q.     Okay.  Do you think that Ameritech has an  
13    obligation to unbundle its loops into subloops?

14              A.     Yes, where technically feasible, yes.

15              Q.     And what requirements do you think  
16    mandate that outcome?  Is there a requirement in the  
17    Act do you think that mandates that?

18              A.     I believe it's a requirement of the Act  
19    and also as the FCC has established the rules under  
20    the Act in order to implement it, so it's part of the  
21    -- the definition of the loop includes the subloop,  
22    so yes.

1           Q.     And do you have an opinion as to which  
2     FCC order or orders mandate subloop unbundling?

3           A.     Well, actually I don't believe that the  
4     FCC order, the original -- oh, the FCC order. I'm  
5     sorry. I believe that's in the UNE Remand where it  
6     specifically defines the subloop as being part of the  
7     loop.

8           Q.     Okay. Now, do you think that -- I'm  
9     trying to understand. You mentioned the embedded  
10    network. I'm trying to understand what you think the  
11    scope of your ongoing unbundling obligation is, so  
12    the question is do you think that Ameritech has an  
13    obligation to unbundle only the architecture and  
14    technology deployed as of the date of the Act  
15    passage, which was February of '96?

16          A.     I'm sorry. Could you restate that?

17          Q.     Sure. Do you think that Ameritech has an  
18    obligation to unbundle only the architecture and  
19    technology deployed by in this case Ameritech  
20    Illinois as of the date of the Telecommunications  
21    Act's passage which is February of 1996?

22          A.     I would say in general, yes, although,

1 obviously, there's going to be just standard  
2 additions to those same unbundling requirements such  
3 as loops that are going to be added that weren't  
4 there originally but are still part of that  
5 obligation, so.

6 Q. Do I understand your answer to mean then  
7 that any new technology deployed or any new  
8 architecture deployed by Ameritech post  
9 Telecommunications Act is not required to be  
10 unbundled in your view?

11 A. No, not exactly. I think there would be  
12 differences depending on exactly what the nature of  
13 what was deployed and whether or not -- for instance,  
14 if we deploy a new switch, switching is an unbundled  
15 requirement, so that would be a replacement of  
16 existing, and so obviously we would need to unbundle  
17 that. Again, it would, you know, vary depending on  
18 what exactly was deployed, so we'd have to look at  
19 that.

20 Q. Well, in general, do you think that SBC  
21 and, in particular, Ameritech Illinois has an  
22 obligation to unbundle and offer as UNEs its Project

1       Pronto architecture?

2           A.     No, I do not.

3           Q.     Let's focus down on page 35 around lines  
4       27 to 29.

5           A.     I'm sorry; where?

6           Q.     35. Before I ask the question I was  
7       going to ask, I need one more follow-up. Your last  
8       answer was you don't think you have an obligation to  
9       unbundle Pronto. Am I correct that you and the  
10      product marketing group has taken actions that are  
11      consistent with that testimony in addressing Project  
12      Pronto?

13          A.     I guess I don't understand what you mean  
14      by taken actions.

15          Q.     What I mean is you've only offered a  
16      wholesale Broadband Service and you've declined to  
17      offer it as UNEs. Is that right?

18          A.     That is correct. It is infeasible to  
19      unbundle as separate elements, and we're offering it  
20      as a service instead.

21          Q.     Okay. Now focus with me, please, on page  
22      35 towards the bottom there where you say, and I'm

1       quoting you here, "none of the existing unbundling  
2       options available to CLECs today are altered in any  
3       way." Do you see that?

4             A.     Yes, I do.

5             Q.     All right. I want to do a hypothetical  
6       with you, Ms. Chapman. I want you to assume that  
7       there is a distribution area. Have you heard that  
8       term any, distribution area?

9             A.     Yes, I have.

10            Q.     Okay. There's a distribution area in  
11       which a customer resides right now that's served by  
12       home-run copper, meaning copper from the premises all  
13       the way to the central office.

14            A.     Okay.

15            Q.     And I want you also to assume that that  
16       customer wants to use Ameritech Illinois for voice  
17       and Rhythms for data service.

18            A.     Okay.

19            Q.     And it wants to do it on the same line.

20            A.     Okay.

21            Q.     And we can do that, right? We can line  
22       share on an all copper loop to that customer, right?

1           A.     Yes, we can.

2           Q.     Okay.  So assume that that happens, that  
3 we get the data side of the customer and you get the  
4 voice side, and that service is up and running and  
5 working fine.

6           A.     Uh-huh.

7           Q.     All right?  Then at some point over the  
8 next two years, as Pronto rolls out, that particular  
9 distribution area becomes served by a Project Pronto  
10 RT as well.  Can you assume that with me?

11          A.     Sure.

12          Q.     Okay.  Now, under your proposal -- I want  
13 to understand what happens, if anything, to the all  
14 copper line-shared service that's up and running  
15 right now between Ameritech Illinois and Rhythms.

16          A.     Nothing.

17          Q.     Nothing.  Okay.  So we get to leave that  
18 up after the Pronto roll-out in my hypothetical.  
19 Right?

20          A.     Yes.

21          Q.     Okay.  All right.  Now let's try a  
22 different hypothetical.  Let's assume the same



1 distribution area, same customer, but they're not a  
2 Rhythms customer right now.

3 A. Okay.

4 Q. Okay? And assume with me that that  
5 distribution area is the lucky beneficiary of an  
6 early portion of the Project Pronto roll-out and  
7 becomes served by a Project Pronto RT.

8 A. Okay.

9 Q. Can you assume that with me?

10 A. Yes.

11 Q. Okay. Now the customer wants line  
12 sharing.

13 A. Uh-huh.

14 Q. And wants to use Rhythms for data and  
15 Ameritech Illinois for voice services. I want to  
16 understand from you -- you're clear on the  
17 hypothetical so far, right?

18 A. I think so.

19 Q. Pronto is rolled. The customer wants to  
20 get line-shared service, data from Rhythms, voice  
21 from Ameritech.

22 A. Uh-huh.

1           Q.     Now what happens then? Will that service  
2     be provisioned on Project Pronto or on the existing  
3     home-run copper facility?

4           A.     It would depend on what Rhythms  
5     requested. If they requested just standard line  
6     sharing, then it would be provisioned on the home-run  
7     copper, as you call it. If they requested the  
8     Broadband Service offering, then it would be  
9     provisioned over that, that offering, so it would  
10    just depend on the request.

11          Q.     What I'm trying to understand is who gets  
12    the choice of which facilities will be used to serve  
13    that line-shared application? Is it you or is it  
14    Rhythms?

15          A.     It's the data provider, Rhythms in this  
16    case.

17          Q.     All right.

18                 Okay. I don't believe you were here for  
19    my cross of Mr. Lube. Is that right?

20          A.     Just the end of it I believe, or was I?

21          Q.     The previous days's cross? Were you here  
22    for his follow on morning? Is that right?

1           A.     I was here in the morning, yesterday  
2 morning. I wasn't here the day before.

3           Q.     Okay. Well, he referred to -- I hope  
4 somebody told you this. He referred a couple of  
5 questions to you.

6           A.     I've been warned that I might get a  
7 couple.

8           Q.     Okay. All right. I want to talk about  
9 -- and you do have your offering as part of your  
10 attachment. Right? The contract language and the  
11 description is attached to your testimony. Right?

12          A.     The Interim Agreement, yes.

13          Q.     Right. And the description of the  
14 services thereto. Right?

15          A.     Is there an actual description? Other  
16 than outside of what's in the contract, I'm not sure  
17 there is, but I think it's in the contract itself.

18          Q.     Close enough. Now you're in marketing so  
19 I know you know the difference between a service and  
20 a UNE, right?

21          A.     Yes, I believe so.

22          Q.     What do you think the difference is

1       between a service offered by Ameritech and a UNE  
2       offered by Ameritech?

3           A.     A UNE would be a portion of our network  
4       that we just provide, for instance, a loop where we  
5       would just simply provide the facilities. We don't  
6       do anything with it. We don't provide the -- we  
7       don't make it work basically. We just give you the  
8       pieces of the network, whereas a service would be  
9       where we are actually providing a complete end-to-end  
10      something, and in this case we're providing complete  
11      end-to-end data products that we're handing off the  
12      data to the CLEC.

13          Q.     Okay. Now is it true that -- and I want  
14      you to keep in mind your knowledge of the FCC's  
15      orders. Is it true that if we get UNEs, that we're  
16      allowed to use those UNEs to the fullest extent of  
17      their permissible use, meaning as long as we don't  
18      cross any technical or legal boundaries, we can make  
19      the best possible use of those individual UNEs?

20          A.     Yes, basically, as long as you're not  
21      harming somebody else, yes.

22          Q.     Okay. And that includes the full

1        functionality of those UNEs. Is that right?

2            A.        Yes, it does .

3            Q.        Okay. Now, the wholesale Broadband  
4        Service that you're suggesting that we buy in lieu of  
5        UNEs on the Project Pronto architecture, I see this  
6        contractual document attached to your testimony, and  
7        that's an interim document. Is that right?

8            A.        Yes, it is.

9            Q.        And, in fact, it's going to be a  
10       contract. Right?

11          A.        Yes.

12          Q.        Okay. Do you plan to offer the wholesale  
13       Broadband Service via tariff as well?

14          A.        No, we do not at this time.

15          Q.        Why is it interim?

16          A.        Again, the interim is to allow the CLECs  
17       to go ahead and sign this while they're in the  
18       negotiating process, so what they can do is they can  
19       go ahead and enter the market using this interim  
20       agreement, and then if they're negotiating the final  
21       terms and conditions, it doesn't hold them back from  
22       going ahead and getting into the market while they're

1 in the negotiation process, so that's the purpose of  
2 an interim agreement.

3 Q. Okay. So what you're suggesting is that  
4 Rhythms negotiate a permanent agreement for a service  
5 instead of a UNE. Right?

6 A. Yes.

7 Q. Okay. And you discussed this briefly  
8 with Sprint's counsel, but I want to understand what  
9 this means exactly. He pointed you to the first page  
10 of the Accessible Letter, Schedule CAC-4.

11 A. Uh-huh.

12 Q. And pointed your attention to the  
13 language about SBC ILECs, including Ameritech  
14 Illinois, reserving the right to change, modify  
15 and/or withdraw the Broadband Service in their sole  
16 discretion, in whole or in part, to have and to hold  
17 -- no -- as a result of regulatory developments,  
18 including but not limited to action or inaction on  
19 the matters pending before the FCC. Right?

20 A. Yes.

21 Q. All right. And I think you said that  
22 once this contract gets signed, you can't withdraw

1       it. Did I hear that right or not?

2           A.     What I said was once a contract is  
3       signed, that any withdrawal of the offering would be  
4       subject to the terms of the contract, so we wouldn't  
5       be able to just unilaterally take something away that  
6       we have a contractual obligation to do.

7           Q.     Okay. Can you point me to the clause in  
8       this contract language that you want us to sign that  
9       captures that notion?

10          A.     Again, --

11          Q.     That is, I want to see a contract clause  
12       that says that once this is signed, that you cannot  
13       withdraw, modify, or change the wholesale Broadband  
14       Service unilaterally as it applies to that particular  
15       CLEC.

16          A.     I don't know that it would be in the  
17       contract that way. What would have to be in the  
18       contract in order for us to withdraw it would be  
19       something saying that -- again, I'm not a lawyer, but  
20       I would believe it would be something that would say  
21       to the effect that you can withdraw it under these  
22       terms and conditions. Otherwise, I mean we're bound

1 by whatever is in the contract. If the contract says  
2 we're going to offer something, then we have to offer  
3 it unless it gives us an out. So if the contract  
4 doesn't give us an out, then we're bound.

5 Q. Well, you're telling the world of CLECs  
6 at least that this document, this offering, you have  
7 the unilateral right to modify or withdraw it.

8 A. Right, which is why we say we encourage  
9 you to go ahead and negotiate so you would have a  
10 contract.

11 Q. So you can't point me to any section in  
12 the actual contract that says you can't withdraw it.

13 A. As I said, the withdrawal would be  
14 governed by the contract, so.

15 Q. Okay.

16 Now keep in mind the section of the Act  
17 that you recall applying to UNEs. You said around  
18 251. That's close enough for now.

19 A. Yeah. Which letter I don't remember,  
20 but.

21 Q. Okay. Does that same section of the Act  
22 control how you have to offer Rhythms a service like



1 the wholesale Broadband Service?

2 A. I'm not sure where the nondiscriminatory  
3 section is. I believe it may also be in that. I'd  
4 have to reread it to remember exactly where that is,  
5 but there are nondiscrimination requirements, and I  
6 believe that would probably also be in the 272 with,  
7 you know, separate affiliates because we're offering  
8 it on a nondiscriminatory basis to everybody, so.  
9 I'm sorry. I would just have to look at it. I  
10 couldn't tell you.

11 Q. Okay. Well, isn't that the section of  
12 the Act that applies to UNEs?

13 A. Yes.

14 Q. Don't different sections of the Act apply  
15 to services?

16 A. Again, I would have to look. I just  
17 don't want to state something.

18 Q. Okay. Well, do you know if there's a  
19 section of the Act that applies to resale of ILEC  
20 services separate from 251? Or the section of that  
21 Act that you're thinking of?

22 A. I've read the stuff that applies to

1 resale. I don't remember what section -- I don't  
2 deal with resale, so.

3 Q. Okay. Do you think that Rhythms has the  
4 power under the Act to force Ameritech Illinois to  
5 offer it the service features and functions that it  
6 wants under your Broadband Service offering?

7 A. No, I don't believe that.

8 Q. Okay.

9 A. Due to the fact that it's not, again, an  
10 unbundled network element. However, as part of our  
11 commitments we have agreed to work collaboratively  
12 with the CLECs to make those types of functions  
13 available, but -- so we've --

14 Q. Well, working collaboratively means to me  
15 that both sides agree on something. Isn't that fair?

16 A. Yes, it does, but it also means that, in  
17 this case, in order to provide some of that, there's  
18 going to be cost issues and whether or not we can  
19 come up with something that's agreeable because  
20 basically if you're using a larger amount of  
21 bandwidth, and I'm sure Mr. Lube got into this so  
22 don't -- I can't get really into the details, but it

1       could raise the costs considerably, and whether or  
2       not the CLECs would be willing to pay those kind of  
3       costs I don't know, but, yes, I mean that is  
4       something that we are working collaboratively with  
5       the CLECs right now is looking at ways to provide  
6       different options that the CLECs desire for different  
7       types of service for, for instance, the constant bit  
8       rate and all those things that Rhythms and others are  
9       interested in.

10           Q.     Well, I didn't say anything about more  
11       bandwidth or constant bit rate in my question. I'm  
12       asking a general question.

13           A.     And I'm just saying that collaboration  
14       requires you to look at all the factors. I mean you  
15       just can't say I want this, he wants -- you know, you  
16       have to look at, yes, I want this, but am I willing  
17       to pay for it. I want this, but am I willing to do  
18       what I have to do to get it. So that's part of the  
19       collaborative process, and that's part of what we're  
20       going through.

21           Q.     All right. If Rhythms attempts to  
22       collaborate with SBC or Ameritech Illinois, as you're

1       suggesting, and does not find Ameritech Illinois  
2       responsive to its business needs with respect to the  
3       Pronto network, what options do you think Rhythms has  
4       to require Ameritech Illinois to meet those business  
5       needs, if any?

6             A.     Well, as far as if we are not meeting the  
7       commitments that we have made --

8             Q.     No, that's not what I said, Ms. Chapman.  
9       I said business needs.

10            A.     Well, but that's part of what I'm saying.  
11       That's part of the answer.

12            Q.     That wasn't my question. The question  
13       was on business needs.

14            A.     Well, if you'd let me finish the answer,  
15       you'd see it is part of the question.

16            Q.     Go ahead.

17            A.     As part of the commitments we've made,  
18       they added those to the Pronto order, and those are  
19       enforceable under a merger condition, so if we are  
20       not meeting our obligation to provide the full  
21       functions and capabilities of the loop as we can  
22       through collaboration, then it isn't enforceable or

1       the merger conditions are enforceable, but I don't  
2       know exactly how -- the procedures of how that would  
3       be done. I'm not familiar with how that would be  
4       enforced.

5             Q.     I'm still waiting for the answer to my  
6       question though.

7             A.     Well, that is the answer to your  
8       question. It's enforceable under the merger  
9       conditions.

10            Q.     All right. Let me ask my question again.  
11       Maybe you didn't hear it correctly. I want you to  
12       assume that we sit down and talk and we tell you what  
13       our business needs are.

14            A.     Uh-huh.

15            Q.     And you don't agree to meet those  
16       business needs. Irrespective of the merger condition  
17       -- I'm sorry -- the waiver order or anything else  
18       that you have as a binding obligation from the FCC,  
19       I'm asking you to assume that you don't meet our  
20       business needs with respect to our use of the Pronto  
21       network. I want you to tell me do we have any way to  
22       make you offer what we need on the Pronto

1 architecture?

2 MR. BINNIG: I'm going to object to the  
3 relevance of the question at this point.

4 EXAMINER WOODS: Overruled.

5 A. Well, again, the way you would do it  
6 would be through that, so I don't know how I can  
7 separate it. I mean yes, you could do that because  
8 part of what we're obligated to do is make the full  
9 functions and capabilities of the architecture  
10 available, so if we weren't doing that, then you  
11 would have a means to pursue that if we weren't  
12 meeting that obligation. I don't know -- separate  
13 from that, no, you wouldn't.

14 Q. If I asked you the same questions about  
15 whether or not the Illinois Public Utility Act might  
16 have requirements that might apply to you in terms of  
17 services versus UNEs, what would your answer be? Do  
18 you know anything about the Illinois Act?

19 A. I'm not familiar enough with any act in  
20 Illinois -- any specific act in Illinois regarding  
21 that to make a comment.

22 Q. Did you consider any state requirements

1 before you filed your testimony in this case?

2 A. I considered the state requirements that  
3 I knew to be relevant. If there was something that I  
4 did not consider, I obviously don't know I didn't  
5 consider it.

6 Q. Okay. Which ones did you consider?

7 A. I considered the -- actually in Illinois  
8 I don't believe I did consider anything specific to  
9 Illinois as far as this issue.

10 Q. Let me take you back to your contract  
11 attached to your testimony.

12 A. All right.

13 Q. I may have found the answer to the  
14 question I asked you before.

15 A. Okay.

16 Q. Let's look at Section 21, the Reservation  
17 of Rights section on page -- it starts on page 22 and  
18 ends on page 23. Do you have that?

19 A. Yes, I do.

20 Q. Okay. Turn to page 23 with me, please.

21 A. Uh-huh.

22 Q. If you want to, you can scan that whole

1 section, but isn't it correct that this section  
2 actually explicitly grants SBC the unilateral right  
3 to withdraw the service, even after the contract has  
4 been signed?

5 MR. BINNIG: Do you have a particular cite,  
6 Steve?

7 MR. BOWEN: Yeah. Section 21, the second sub  
8 1.

9 A. Yes. As a result of regulatory  
10 developments that would change the environment in  
11 which -- under which the contract was offered, then  
12 yes, under those circumstances, but not apart from  
13 that, the way I'm reading this here. It says as a  
14 result of regulatory developments, so it's limited to  
15 that. So if there were no regulatory developments  
16 that impacted it, then no, we could not, I don't  
17 believe, withdraw it under that paragraph.

18 Q. Do you think that's a pretty clear  
19 definition in that section of regulatory  
20 developments? It's a defined term, meaning initial  
21 capital letters in the contract?

22 A. I will have to check.



1           Q.     I mean it's defined right there in that  
2 subsection, top of page 23.  It's Section 22 -- I'm  
3 sorry -- Section 21.1, but it's the second .1, so.  
4 They're all .1.  It's a draft.

5           A.     Again, what was the question?

6           Q.     Do you see the definition of regulatory  
7 developments in that subsection?

8           A.     It said that they would include, but  
9 would not be limited to action or inaction on the  
10 ownership issues pending before the FCC or SBC  
11 besides that the assets in question will be owned by  
12 an entity other than SBC ILECs.

13          Q.     Okay.  That's not a clear definition of  
14 that term, is it?  It says includes that, but not  
15 limited to that.  That's one example of an option,  
16 right?

17          A.     And, again, if the CLEC would want to --

18          Q.     Is that right?  Is my question right?  Is  
19 that only one example of the possible options?

20          A.     That is an example, yes.

21          Q.     Okay, and is there any further definition  
22 at all on what the term regulatory developments might

1       be construed to mean, which would then trigger your  
2       right to terminate this contract?

3           A.     And again, not being a lawyer, I am not  
4       certain I can answer that.

5           Q.     You don't see anything there, do you?

6           A.     I don't see any further definition of  
7       what a regulatory development is.

8           Q.     Okay. And isn't it true that the last  
9       sentence simply provides that if you do terminate the  
10      service, withdraw it, you have no further obligation  
11      to provide the service?

12          A.     That is true.

13          Q.     Okay. Let's go back to your testimony at  
14      page 36, please, and look with me at lines 8 through  
15      15, please.

16          A.     Yes. Okay.

17          Q.     I'm getting the sense that what you're  
18      saying here is that Project Pronto, as you are  
19      offering it as a Broadband Service offering, is an  
20      additional new, good thing for CLECs without taking  
21      anything currently away. Is that correct?

22          A.     Yes, that's exactly correct.

1           Q.     And here you say that, and I'm quoting  
2     you here, "Project Pronto, and Ameritech Illinois'  
3     Broadband Service offering, creates new business  
4     opportunities for CLECs." Right?

5           A.     Yes.

6           Q.     Would you agree that if Project Pronto  
7     becomes available pursuant to ICC order or SBC's  
8     voluntary offering as a UNE, that that also would  
9     create new business opportunities for CLECs?

10          A.     In all honesty, I don't know that. It  
11     would depend on how it was offered and whether or not  
12     that would be a beneficial way to offer it. I really  
13     can't say without knowing what the result of the  
14     order would be and how it would look.

15          Q.     Okay. Look down the page with me now,  
16     please, to the question that begins on line 16.

17          A.     Uh-huh.

18          Q.     Now here you're starting into a  
19     discussion about all the bad things that might happen  
20     if you have to offer it as a UNE. Right?

21          A.     Well, not just if we have to offer it as  
22     a UNE, but depending on what types of regulatory

1 requirements were added to the offering, it might  
2 make it impractical to offer it or to build  
3 additional network for this offering, so that's  
4 really what this is addressing, so it's not  
5 necessarily specifically as a UNE.

6 Q. Okay. Fair enough.

7 I want you to focus with me on lines 18  
8 through 20.

9 A. Okay.

10 Q. And I'm going to read it for the record  
11 so that the transcript will be clear in terms of the  
12 context. You say, "Any regulatory burden placed upon  
13 Ameritech Illinois' Broadband Service offering has  
14 the potential to slow or potentially stop the  
15 roll-out of Project Pronto and the Broadband Service  
16 offering." Do you see that?

17 A. Yes, I do.

18 Q. I want you to be very precise now with  
19 me.

20 A. Uh-huh.

21 Q. This is a pretty serious matter. I mean  
22 stopping Project Pronto is pretty serious, right?

1           A.     Yes, it is. We hope we don't have to do  
2     that.

3           Q.     I want you to tell me precisely under  
4     what conditions or what regulatory burdens you would  
5     stop the roll-out of Pronto in Illinois.

6           A.     I cannot tell you precisely. It would  
7     depend -- we would have to make an evaluation once  
8     that regulation came out and evaluate to determine  
9     whether or not under the current -- under the new  
10    rules of the state whether or not it is practical for  
11    us to continue making this type of network  
12    investment, so I really can't tell you precisely.  
13    It's going to have to be something that will be  
14    evaluated in a lot of detail before we can make a  
15    decision.

16          Q.     Well, you understand that Rhythms is  
17    asking this Commission to require you to offer Pronto  
18    as UNEs, don't you?

19          A.     Yes.

20          Q.     Okay. In deciding -- and you, of course,  
21    are saying don't do that. Right?

22          A.     Yes.

1           Q.     All right. The Commission has to decide  
2     this. The judge has to decide that issue and  
3     recommend to the Commission what they should do.  
4     Right?

5           A.     Yes.

6           Q.     And if he's looking at an issue that  
7     says, well, if I go Rhythms' way, Ameritech might  
8     stop rolling out Pronto altogether, that's what  
9     you're saying, right?

10          A.     It's possible, depending on how -- like I  
11     said, depending on how that requirement would play  
12     out in real life, yes.

13          Q.     Well, that's kind of like -- there's a  
14     lot of weight riding then on what's going to happen  
15     here in this decision. Right?

16          A.     Yes.

17          Q.     So don't you think you have an obligation  
18     to tell the judge precisely what conditions would  
19     cause you to stop that investment in Illinois so he  
20     can make a good decision that's informed?

21          A.     Well, we don't necessarily know that  
22     until we see exactly how it's worded. We're going to

1       have to do a detailed evaluation. We can't evaluate  
2       every single possibility of what he might decide to  
3       do. I mean there's a huge number of possibilities of  
4       how awards come out. They can have all these very  
5       different terms. We could not possibly account for  
6       all the various, different ways something could come  
7       out and say, okay, in this scenario if you do this,  
8       this, this, this, this, and that, then we can't do  
9       it. If you do this, this, this, this, and this, we  
10      can under -- it would be like this. There's just no  
11      way to really do that.

12           Q.     Okay. Well, I'm giving you a chance here  
13      because all I hear right now is vague threats. I'm  
14      giving you a chance right now to tell the judge  
15      precisely under what conditions you would take your  
16      ball and go home and stop investing in Pronto. Can  
17      you do that?

18           MR. BINNIG: I'm going to object to the  
19      characterization. I'm also going to object to being  
20      asked and answered.

21           EXAMINER WOODS: I think it was asked and  
22      answered. I think if you want to --

1 MS. BOWEN: I'll rephrase this.

2 EXAMINER WOODS: I would hate to start doing  
3 this and giving particular examples such as asking  
4 her if all of the exact relief granted in Pronto's  
5 request were granted, would that be enough.

6 MR. BOWEN: Okay.

7 Q. You understand Rhythms' proposal for  
8 unbundling in this case, do you not?

9 A. I understand parts of it. Again, without  
10 -- I don't have the network background to understand  
11 all the implications of everything that's proposed by  
12 Rhythms.

13 Q. All right.

14 A. Which Mr. Lube would have had.

15 Q. Let me try and give you I hope a pretty  
16 high level and simple set of assumptions you can  
17 react to. Okay?

18 A. I will try.

19 Q. Let's assume that Rhythms is asking this  
20 Commission -- and this all applies to Pronto  
21 architecture -- is asking this Commission to require  
22 you to offer a subloop from the customer premises to



1 the Pronto remote terminal and a second subloop from  
2 the Pronto remote terminal to a central office hand -  
3 off at a device you call an OCD, the rest of the  
4 world calls an ATM switch, and the right to have  
5 either Ameritech or Rhythms plug in an AFLU card in  
6 the RT.

7 MR. BINNIG: And you have no specific prices in  
8 this?

9 MR. BOWEN: She hasn't qualified her answer  
10 with respect to pricing.

11 MR. BINNIG: I'm just asking, your question.

12 MR. BOWEN: No, my question doesn't assume any  
13 prices at all right now, Mr. Binnig.

14 MR. BINNIG: Okay. That's fine.

15 Q. If the Commission does that, will you  
16 shut down deployment of Pronto Illinois?

17 A. What I can say is that we will be most  
18 likely to either stop, halt, slow down the deployment  
19 of Pronto if the line card ownership issue is not  
20 resolved in the way that we have suggested where we  
21 own the cards. Now as far as any other -- all the  
22 different possible variations, I really can't tell

1       you whether or not those in any combination would be  
2       enough to halt it or slow it down or, in the  
3       alternative, even if we did roll it out, halt perhaps  
4       future similar type investments. I really can't say  
5       that. That's going to be a decision made at a very  
6       high level, but I can say that the line card  
7       ownership is probably one of the key issues regarding  
8       the practicality of this offering and whether or not  
9       we can practically offer it.

10           Q.     So this is just a vague threat, isn't it?

11           A.     No, it's not a vague threat. It's just  
12       that it's a very complex issue, and I am not a  
13       network person who would be able to evaluate on the  
14       various different things the possible impacts, so I'm  
15       not at liberty -- I'm not prepared with that type of  
16       detailed answer. I'm just saying that dependent on  
17       the results, it's going to have to be evaluated  
18       depending on some -- and we'll have to look at is it  
19       still practical. It's something we want to provide.  
20       It's something we want to invest in. It's practical  
21       the way we are currently proposing to provide it, and  
22       it's a good thing, and whether or not it would still

1       be practical under altered terms we would have to  
2       look at. That's what I can say.

3           Q.     Okay. You're aware, are you not, that  
4       the Commission has already ordered that scenario in  
5       the Rhythms/Ameritech Illinois arbitration?

6           A.     I am aware that -- my understanding is  
7       that we have to provide it as we provide it to our  
8       affiliate is I believe what it says, but I would have  
9       to look at that again. I am aware there is a ruling  
10      already in place, yes.

11          Q.     Have you heard one of my mom's favorite  
12      terms, cut off your nose to spite your face,  
13      Ms. Chapman?

14          A.     Yes, I have.

15          Q.     Okay. Isn't Pronto being rolled out  
16      primarily to serve SBC's own business objectives,  
17      either directly or through its separate subsidiary --  
18      I'm sorry -- either directly through Ameritech  
19      Illinois or through its separate sub, Advanced Data  
20      Services?

21          A.     Well, this is an SBC investment of SBC's  
22      money, so I guess, yes, you would say that its goal

1 is SBC's goals.

2 Q. Okay. Well, if the Commission accepts  
3 Rhythms' recommendation in this case and orders  
4 subloops and orders the line card ownership we've  
5 been talking about, if you shut down Pronto, SBC  
6 couldn't meet its business objectives, could it?

7 A. That is a possibility, yes.

8 Q. And would you call that cutting off your  
9 nose to spite your face?

10 A. Well, sometimes you have to take the  
11 lesser of two evils. If it's going to cost us a  
12 fortune to meet our business objectives, then we  
13 can't necessarily meet our business objectives,  
14 unfortunately. We would like to be able to,  
15 obviously, and we would hope to be able to do so in a  
16 way that allows the CLECs to also benefit and meet  
17 similar objectives.

18 Q. Okay. Well, I know you've seen this  
19 investor briefing before, right? It's been in  
20 testimony in three cases you've been involved in I  
21 believe, or at least two, attached to Ms. Murray's  
22 testimony or Mr. Riolo's testimony.

1           A.     I believe I have.

2           Q.     Okay. In this case it's -- this time  
3 it's marked as Rhythms Exhibit 1.2. Do you recall  
4 that?

5           A.     No, I don't recall specific exhibit  
6 numbers.

7           Q.     Okay. I'll represent to you that that's  
8 true. Okay?

9           A.     Okay.

10          Q.     This was an investor briefing dated  
11 October 18, 1999, right?

12          A.     I'll take your word for it.

13          Q.     Okay. And this is a briefing, on its  
14 face, to current and potential investors in your  
15 parent corporation. Isn't that right?

16          A.     I assume so. Again, I don't have a copy  
17 in front of me, but.

18          Q.     And is it your understanding that when a  
19 corporation like SBC speaks about its business plans  
20 to investors, it's required by SEC disclosure  
21 requirements to be accurate and truthful?

22          A.     I really don't know what the requirements

1 are. I believe it's probably true.

2 Q. Okay. Well, in the investor briefing on  
3 page 2, I'm going to read you a sentence. I'm  
4 quoting here what your corporation told the  
5 investment community and the world at large. "The  
6 network efficiency improvements alone will pay for  
7 this initiative, leaving SBC with a data network that  
8 will be second to none in its ability to satisfy the  
9 exploding demand for Broadband Services."

10 A. Uh-huh.

11 Q. What does that mean, that the network  
12 efficiency improvements alone will pay for this  
13 initiative to you?

14 A. I don't know the full meaning of it. I  
15 believe that it's saying that the efficiencies that  
16 we will gain will pay for the service, but that,  
17 again, is how we're currently offering it they will  
18 do it. If it's no longer efficient, that will no  
19 longer be true.

20 Q. Okay. And you're investing, not you, but  
21 the company is investing \$6 billion in 13 states.  
22 Right?

1           A.     Yes.

2           Q.     Well, I didn't see -- I didn't see --  
3     strike that.

4                     Now you're familiar with the waiver  
5     request of the FCC, right?

6           A.     Yes.

7           Q.     Is it correct that that came in, first of  
8     all, via a letter to Larry Strickling, who was the  
9     Chief of the Common Carrier Bureau in February of  
10    this year?

11          A.     That's probably -- I really don't know  
12    exactly what the chain of events was, but that's  
13    probably true.

14          Q.     Okay. And didn't that letter and later  
15    submissions by SBC say to the FCC that if the FCC  
16    didn't approve the waiver request that SBC has made,  
17    that SBC might not deploy Project Pronto?

18          A.     I believe that's probably true too, yes.

19          Q.     Okay. Did SBC tell its investors three  
20    months before that that the \$6 billion investment was  
21    conditional on the FCC's approval of a waiver request  
22    in your merger conditions?

1           A.     I don't believe we knew back then that it  
2     was going to be. I don't even know if during that  
3     briefing if the merger conditions were completed. I  
4     don't know the timing, but I don't know that we had  
5     realized that the waiver would be necessary at that  
6     time.

7           Q.     SBC didn't know it would need a waiver in  
8     October of '99 to own the line cards in the OCD? Is  
9     that your testimony?

10          A.     I don't know. I'm saying that when that  
11     statement was made, I don't know if we had realized  
12     at the time that a waiver would be necessary. That's  
13     -- I didn't make -- I did not write that draft; I  
14     mean that briefing. I don't know what we knew at the  
15     time it was written. I'm sorry. And whether that  
16     was considered.

17          MR. BOWEN: Can I request counsel to borrow his  
18     merger order for a moment, merger conditions order,  
19     if you have that with you?

20          MR. BINNIG: I don't have it with me, never  
21     have.

22          MR. BOWEN: You never have. Okay. Well, I



1       guess I've got it.

2               Q.     I have the order, Ms. Chapman.

3               A.     Okay.

4               Q.     It says adopted October 6, '99 and  
5 released October 8, '99.

6               A.     Okay.

7               Q.     Isn't this order the result of a long  
8 series of negotiations between SBC and the Common  
9 Carrier Bureau at the FCC?

10              A.     I believe so, yes.

11              Q.     So as of October 8th, when this order  
12 came out, SBC knew what the merger conditions were.  
13 Right?

14              A.     Yes, and whether or not whoever wrote the  
15 investor briefing knew all the implications of that  
16 on that particular issue I can't say at that time. I  
17 mean it's a pretty lengthy order, and I know changes  
18 were made. You know, there were changes up to the  
19 end I believe.

20              Q.     SBC knows what advanced services are,  
21 doesn't it?

22              A.     Yes, and I mean I wasn't involved in any

1 of this so I can't say what anyone knew regarding  
2 either the merger order or the implication of the  
3 merger order on that investor briefing, so I'm sorry.

4 Q. Well, there's no footnote in here saying,  
5 in little tiny print, you know, pending approval --

6 MR. BINNIG: Your Honor, just to move this  
7 along, we'll stipulate the press release says what it  
8 says.

9 MR. BOWEN: I want to know what it doesn't say.

10 EXAMINER WOODS: Mr. Bowen, I'm a little  
11 confused -- (interrupted).

12 MR. BINNIG: It's obviously the same thing.

13 EXAMINER WOODS: I'm a little confused what  
14 that goes to, frankly. I mean we can agree that it's  
15 not conditional in the investor briefing, but in one  
16 of your favorite expressions, so what?

17 (Laughter)

18 MR. BOWEN: So what? I'm glad you asked that,  
19 Your Honor. The so what is that I'm proving in that  
20 the company has repeatedly made threats to take its  
21 ball and go home.

22 EXAMINER WOODS: I think we know that.

1 MR. BOWEN: If it doesn't get what it wants.

2 EXAMINER WOODS: We know that.

3 MR. BOWEN: Okay.

4 MS. HIGHTMAN: Can we all stipulate to that?

5 MR. BOWEN:

6 Q. In fact, in this case, Ms. Chapman, you  
7 know that Mr. Lube is saying the same thing; that if  
8 the line card ownership issue doesn't come out the  
9 right way from your perspective, that you can stop  
10 Project Pronto in Illinois?

11 A. I would imagine he would say that.

12 Q. You don't know that he said that?

13 A. I wasn't here when he was here the first  
14 day, so.

15 Q. It's in his direct testimony -- rebuttal  
16 at page 28.

17 MR. BINNIG: Do you want to give her a copy and  
18 she can read it into the record?

19 MR. BOWEN: No.

20 Q. Did you read his testimony?

21 A. I've read his testimony in many states,  
22 so off the top of my head I don't know specifically

1       what he said in this particular case.

2               Q.       Okay.

3               A.       But it would be consistent for him to  
4       have said that.

5               Q.       Okay.

6                       Well, let's look at page 38 now.  Here's a  
7       good question you were asked:  "Should Ameritech  
8       Illinois' Broadband Service be treated as a UNE?"  Do  
9       you see that?

10              A.       Yes, I do.

11              Q.       And you say no, and then you say, and I  
12       am quoting you here, "Obviously, the creation of a  
13       new class of UNEs discourages innovation and  
14       investment and will not result in reduced  
15       regulation."  Do you see that?

16              A.       Yes.

17              Q.       What is obvious about that?

18              A.       I think that it's pretty obvious that if  
19       investing in innovating results in additional  
20       obligations that may be burdensome, then you're going  
21       to think twice before you decide to invest or  
22       innovate because you may worry that if you do that,

1       you may end up harming yourself rather than bringing  
2       benefits to your company and to your shareholders, so  
3       that's something that we have to consider.

4             Q.     Who do you think SBC sees as its  
5       Broadband Service competitors?

6             A.     Our Broadband Service competitors?

7             Q.     Right.

8             A.     I think in the bigger sense it's probably  
9       the cable modem providers. Obviously, the various  
10      data providers who would use the Broadband Service  
11      are -- they're our customers, but they're competitors  
12      with our affiliates, but I believe we believe that it  
13      is important to promote the DSL-based technologies  
14      because they use our network as opposed to another  
15      network.

16            Q.     Like say AT&T's network?

17            A.     Oh, like say, for instance, that one,  
18      yes.

19            Q.     And what about broadband data via  
20      satellite, like the Hughes satellite dish? Do you  
21      view that as competition?

22            A.     Yes. Any type of broadband service that

1 is not provided over our network would be a  
2 competitive service, yes.

3 Q. And what about point-to-point microwave?

4 A. If that's another -- (interrupted).

5 Q. Winstar, for example, is that a  
6 competitor to your Broadband Service?

7 A. I believe so. I'm not familiar with all  
8 the various -- they're coming up and coming pretty  
9 quick, all the different variations on broadband,  
10 but.

11 Q. Don't you think you need to be able to  
12 respond to wireless, broadband, and landline cable -  
13 based Broadband Service competition?

14 A. On the wholesale side -- I mean --

15 Q. No, as a company, as SBC, don't you think  
16 SBC wants to respond to cable modems, for example?

17 A. I think so, but I can't speak for the  
18 corporate. I speak for wholesale marketing, so.

19 Q. I understand that.

20 A. Yes.

21 Q. And isn't Project Pronto your competitive  
22 response to your broadband competitors using other

1 technologies?

2 A. I'm sure that's part of it, yes.

3 Q. Okay. Well, if you stop Pronto  
4 deployment in Illinois, then you won't be able to  
5 compete on a broadband basis with the wireless  
6 companies and the cable modems and the other  
7 competitors, will you?

8 A. Not on the scale that we had wanted to.  
9 That's right, but if it's going to -- again, if it's  
10 going to cost us more money than we can earn, then it  
11 doesn't do us any good. We want to be in this  
12 business. We want to provide this service. That's  
13 why we want to invest this money, but, you know,  
14 we're still a business. You know, the reason we want  
15 to invest it is so that we can, you know, so that we  
16 can provide services so we can succeed as a business,  
17 just as all the CLECs want to do.

18 Q. Okay. I understand money is important.  
19 If I tell you that Rhythms is happy to pay  
20 TELRIC-based prices for what it wants, does that  
21 satisfy that concern?

22 A. No, it doesn't. It's not just about the

1 rates. It's about how we have to provide it and the  
2 architecture that we have to build and that sort of  
3 thing, whether it's manageable. There's a lot of  
4 issues.

5 Q. Okay. Then you have a notion that starts  
6 I think around page 39 about this notion of stability  
7 and certainty of the list of UNEs. Do you see that?

8 A. Yes.

9 Q. Do I take from this testimony here that  
10 you are asserting that the FCC's UNE Remand Order was  
11 the final treatment of UNE issues because you're  
12 quoting it here?

13 A. No, I'm not saying that it was the final  
14 treatment but that the FCC stated that they wanted to  
15 create some stability by providing a list so that  
16 there would be some certainty in the market.  
17 Obviously, if one day we are obligated to provide one  
18 thing and the next day we're obligated to provide  
19 something else, it makes it very difficult for us to  
20 make wise business decisions.

21 Q. Okay. Well, if that were the final word  
22 on UNEs, there would be no point to the FCC's



1 currently pending MPRM, would there, the one you and  
2 we just filed comments in last Friday?

3 MR. BINNIG: Well, I guess I'm going to object  
4 to the relevance of this question. She said she  
5 didn't regard it as the final word on UNEs.

6 MR. BOWEN: I'll withdraw and reask, Your  
7 Honor.

8 Q. Isn't it correct that the FCC is, in  
9 fact, consideration creation of additional UNEs in  
10 the currently pending MPRM, Ms. Chapman?

11 A. I believe that is one of the goals of  
12 that, is that they are considering whether or not  
13 additional UNEs are necessary, yes.

14 Q. Didn't your company just file comments  
15 last Friday on those issues?

16 A. I believe that was the date, yes.

17 EXAMINER WOODS: Are you familiar with the  
18 comments?

19 A. I'm somewhat familiar with the comments.

20 EXAMINER WOODS: Did it request creation of any  
21 additional UNEs?

22 A. Our comments do not, no. I do not

1 believe so.

2 Q. Okay. Let's turn to a different topic  
3 here now. Could you pick up the contract, again,  
4 that's attached to your testimony? Turn back to the  
5 page 39 price list. Do you have that?

6 A. I'm getting there.

7 Q. Okay.

8 A. Yes, I'm there.

9 Q. Okay. The first question, in response to  
10 Sprint's counsel you said that he would need to buy a  
11 DLE-ADSL PVC, which you said was a private virtual  
12 circuit. What's a private virtual circuit?

13 A. Again, I don't know that I could describe  
14 a private virtual circuit correctly. I'm sorry.

15 Q. This is your product, right?

16 A. This is my product, but I do not have the  
17 network background to really be able to describe a  
18 private virtual circuit. I'm sorry.

19 Q. Okay. I didn't understand your answer --  
20 I saw on the page here, if you look with me under  
21 Illinois.

22 A. Uh-huh.

1 Q. Under the Nonrecurring First column.

2 A. Uh-huh.

3 Q. I see N/A next to the line shared DLE -DSL  
4 HFPSL. Do you see that?

5 A. Uh-huh.

6 Q. And again next to the DLE -ADSL PVC. Do  
7 you see that?

8 A. Yes.

9 Q. The last MFT. What's N/A mean? Why is  
10 there no price in there?

11 A. I believe on the nonrecurring there would  
12 not be a nonrecurring because it would be a working  
13 circuit for that piece.

14 Q. If I want to order -- if Rhythms says  
15 okay, I give up, I'll take your wholesale Broadband  
16 Service, and we order one, what's the nonrecurring  
17 charge that's going to apply to that? It just says  
18 N/A on here. Does that mean it's a zero nonrecurring  
19 charge?

20 A. Again, subject to check, I believe it  
21 does in that case, but I would have to -- I would  
22 have to double-check on that. I'm sorry.

1           Q.     Well, why are you charging Covad \$10 and  
2     you're going to give it to us for zero?

3           A.     This isn't the same product as what the  
4     \$10 -- the \$10 is line sharing, not the Broadband  
5     Service.

6           Q.     Ah.

7           A.     From what I understand. This is a  
8     totally different offering.

9           Q.     So the \$10 is for all copper.

10          A.     I believe so. Again, I haven't seen the  
11     contract. I can't say for sure, but that's my  
12     understanding is that it's for line sharing.

13          Q.     You'll get a chance to see the contract.

14          A.     I know eventually I will.

15          Q.     All right. So is it your testimony that  
16     the contract that you're proposing to control this  
17     relationship, that is Rhythms buying up Broadband  
18     Service offering, will have a zero nonrecurring  
19     charge?

20          A.     Again, subject to check. I would have to  
21     double-check that on the prices.

22          Q.     Well, could you do that, please? That's

1       important to us. I want to make sure I understand  
2       what you're proposing, so could I ask that we assign  
3       a number to that, Your Honor?

4               MR. BINNIG: An on-the-record data request?

5               EXAMINER WOODS: Yes.

6               A. No problem.

7               EXAMINER WOODS: I think it's important too.

8               A. I would just wonder do we have to read  
9       through this right now to make sure I understood what  
10      we need?

11              Q. I don't want to take the time to do that.

12              A. Or we don't want to do that. I'm sure.

13              Q. You've go to make an airplane. I know.

14              MR. BINNIG: Yes.

15              Q. I do see nonrecurring charges next to the  
16      OCD port terminations and OCD cross-connect to  
17      collocation entries. Is that correct?

18              A. That is correct.

19              Q. Okay. And I also see NAs next to  
20      DLE-Combined Voice & Data Loop and DLE-COT Voice  
21      Cross-Connect. Do you see that?

22              A. Yes, and I believe, as I said earlier, on

1       those NAs -- that's why I would need to check to see  
2       exactly why it's listed as N/A in all those cases.  
3       It's a little confusing to me. I believe in those  
4       cases it's because we do not have a price developed  
5       yet because that's an offering that is still in  
6       development.

7             Q.     Okay.

8             A.     Those should probably be TBDs, to be  
9       determined, but.

10            Q.     I'd like you to check so I understand  
11       what you're proposing here.

12            A.     Yes.

13            Q.     All those NAs in that column under  
14       Illinois Nonrecurring First and Additional.

15            A.     Yes, I understand. It does need to be  
16       clarified.

17            Q.     All right. Thank you.

18            A.     I agree.

19            Q.     Okay. Now, counsel for Sprint asked you  
20       questions about the Covad arrangement, and you said  
21       it was 13-state only. Did I hear you correctly?

22            A.     That it was 13 state?

1           Q.     You had to take it on the 13-state basis  
2 if you wanted to opt into that?

3           A.     Yes.

4           Q.     Okay. I want to represent to you that  
5 that your company has told my client that Rhythms can  
6 opt in on a state-at-a-time basis to that agreement.  
7 I'm just representing that to you. Are you certain  
8 that your company's position is that it's a 13-state  
9 take-it-or-leave-it kind of agreement?

10          MR. BINNIG: Well, I'm going to object to the  
11 form of the question. It's assuming facts not in  
12 evidence.

13          EXAMINER WOODS: Is this on the basis of a  
14 hypothetical or is this --

15          MR. BOWEN: Well, I don't want to testify, Your  
16 Honor.

17          MR. BINNIG: You can't.

18          MR. BOWEN: But we have information that's  
19 contrary to what the witness testified to under oath.  
20 I think the safest way to do this is for me to  
21 represent what I said and ask her to check off the  
22 record when she can check that and see if, in fact,

1       it is 13 states as a package only or if, in fact, the  
2       company is willing to offer that on a state-at-a-time  
3       basis.

4               MR. BINNIG: Well, why don't we do this, Your  
5       Honor. I mean we know what the question is, and we  
6       can also treat that as an on-the-record data request.

7               MR. BOWEN: That's fine.

8               EXAMINER WOODS: Please.

9               MR. BINNIG: And provide responses to whether  
10       it's 13-states only or it can be obtained on a  
11       state-at-a-time basis.

12              MR. BOWEN: That's fine. Sure.

13              Q.     Okay. Now you also testified in response  
14       to counsel from Sprint's question about whether or  
15       not the \$10 nonrecurring charge for line sharing was  
16       the only nonrecurring charge or not. Do you recall  
17       that?

18              A.     Yes.

19              Q.     And I think I heard you say that you  
20       thought there might be other nonrecurring charges in  
21       other parts of some agreement that might apply. Did  
22       I hear that right?



1           A.     Well, he was specifically talking --  
2     mentioned the service order charge.

3           Q.     Right.

4           A.     Which is part of the underlying  
5     agreement.  It's not specific to any single product,  
6     so I don't -- that would not, I don't believe, have  
7     been included in the agreement with Covad in their  
8     DSL HFPL appendix.

9           MR. BOWEN:  Okay.  Your Honor, we have, as you  
10    know, obtained a copy of the current draft of an  
11    agreement that covers this issue.  This has been  
12    provided pursuant to protective order.  I'm going to  
13    ask that -- no?

14           EXAMINER WOODS:  Confidentiality.

15           MR. BOWEN:  Proprietary agreement?

16                   (Whereupon at this point in the  
17                   proceedings an off-the-record  
18                   discussion between counsel for  
19                   Rhythms transpired.)

20           MR. BOWEN:  It has been provided under  
21    restrictions.

22                   I want to mark this as an exhibit and show

1       the witness a portion of it and ask her a question,  
2       but I don't want to ask her to read onto the open  
3       record any portion of it.

4               EXAMINER WOODS:   Okay.

5               THE WITNESS:   Am I allowed to see it without  
6       signing anything?

7               MR. BOWEN:   You'll see it in a second.

8               MR. BINNIG:   We may have it.

9               MS. HIGHTMAN:   You gave it to us.

10              MR. BINNIG:   Yes, yes.

11              EXAMINER WOODS:   Let's go off the record before  
12       we kill the Court Reporter by everybody talking at  
13       once.

14                               (Whereupon at this point in the  
15                               proceedings an off-the-record  
16                               discussion transpired.)

17              EXAMINER WOODS:   Let's go back on record.

18                       We have had a discussion concerning the  
19       manner in which we're going to proceed.

20                       Mr. Binnig has agreed to provide to the  
21       parties in this case and as a late-filed exhibit to  
22       be admitted into the record in this case the final

1       agreement between Covad and SBC concerning the  
2       provisioning of DSL services between SBC and Covad.

3               MR. BINNIG: Line sharing.

4               EXAMINER WOODS: I'm sorry; line sharing  
5       between SBC and Covad. Mr. Bowen has asked that the  
6       Interim Agreement, which he has a copy of that was  
7       provided through discovery, be introduced into the  
8       record. I have indicated to him that if that were  
9       objected to, I would sustain the objection because  
10      the agreement is not yet final. He has graciously  
11      acceded to withhold moving that document pending the  
12      receipt of the final agreement, the indication being  
13      that he intends to argue that the prices contained in  
14      the press release that were previously admitted are  
15      somewhat sketchy compared to the materials that are  
16      contained in the actual agreement.

17              He wants to argue in his brief that there  
18      are charges that are not reflected in the -- I assume  
19      charges not reflected in the press release that are,  
20      in fact, reflected in the contract. Because we've  
21      previously agreed to get SBC to provide us with  
22      further detail on the manner in which the wholesale

1 offering is going to be priced out, all that  
2 information should be available by brief time, and I  
3 think that any possible prejudice will be ameliorated  
4 by receipt of those materials.

5 MR. BOWEN: Okay.

6 EXAMINER WOODS: Ms. Franco-Feinberg.

7 MS. FRANCO-FEINBERG: Your Honor, Felicia  
8 Franco-Feinberg on behalf of Covad Communications  
9 Company.

10 I just would like to clarify a statement.  
11 The attachment that Mr. Bowen has referenced is not,  
12 in fact, an interim agreement. There is no binding  
13 agreement between our companies. That's not an  
14 executed interim amendment.

15 EXAMINER WOODS: Okay.

16 MS. FRANCO-FEINBERG: And I just wanted to  
17 clarify that on the record. Thank you.

18 EXAMINER WOODS: Would you like to enter your  
19 appearance?

20 MS. FRANCO-FEINBERG: Felicia Franco-Feinberg,  
21 on behalf of Covad Communications Company, 8700 West  
22 Bryn Mawr, Suite 800 South, Chicago, Illinois 60631.

1 EXAMINER WOODS: Thank you.

2 MR. BOWEN: Okay.

3 Q. The final and very quick couple of  
4 questions, I know you're not a costing expert,  
5 Ms. Chapman, but you have made repeated references to  
6 your concern about not being able to cover your  
7 investment if certain things happen that aren't to  
8 your liking, and counsel for Sprint did ask you a  
9 couple questions on this. You've heard the term  
10 TELRIC, right?

11 A. Yes, I have.

12 Q. Okay. Is it your understanding that the  
13 term TELRIC includes a market-based rate of return?

14 A. No. A market-based? No.

15 Q. What kind of return do you think it does  
16 include?

17 A. My understanding, again, as you said, I'm  
18 not a cost person, but that TELRIC is based on our  
19 costs and then allows for some profit which is  
20 generally I believe determined by the state  
21 commission.

22 Q. I take it that you think that would be

1 lower than a market-based rate of return.

2 A. I think generally, yes, it is.

3 Q. What do you think a market-based rate of  
4 return is for your network, the use of your network?

5 A. It's going to vary depending on what  
6 services we're selling. Some have a very high market  
7 return; some don't. I don't know the numbers. I am  
8 not involved on the retail side.

9 Q. If you don't think TELRIC pricing is  
10 sufficient for the use of Pronto as UNEs, tell me  
11 what profit margin product marketing would find  
12 sufficient.

13 A. Again, we have agreed to provide TELRIC  
14 rates for the Project Pronto offering, so I'm sure I  
15 follow your question.

16 Q. Are you offering Pronto as UNEs?

17 A. No, we are not.

18 Q. Okay. I want you to assume that you are  
19 required to offer Pronto as UNEs.

20 A. Okay.

21 Q. Okay? Tell me what market-based rate of  
22 return you would think would be required to do that.

1           A.     I can't tell you that because it's going  
2     to depend on how it's offered as a UNE. I mean  
3     there's different configurations, different ways that  
4     it could be ordered to be reconfigured, so.

5           Q.     Are you testifying that the rate of  
6     return is a function of how those services configure?

7           A.     I'm testifying that our costs are  
8     directly related to whether or not we can efficiently  
9     configure the service, so if we can't efficiently  
10    configure it, then our costs are going to go up.

11          Q.     Do you know what rate of return means?

12          A.     Again, I'm not a cost person, so I'm just  
13    saying -- all I can say is our costs will go up if we  
14    can't be efficient.

15          Q.     Okay.

16          A.     So I would think the rates would have to  
17    go up if we can't be efficient, so the rate that we  
18    would be able to charge and still be able to get the  
19    same type of return would vary depending on the  
20    configuration that we have to provide this under.

21          Q.     Okay. And as this Commission applies the  
22    TELRIC principles, do you understand there to be

1 recovery in UNE prices of what are known as shared  
2 costs?

3 A. Yes, I believe that's part of the  
4 recovery, yes.

5 Q. And do you also understand this  
6 Commission's application of TELRIC to include the  
7 recovery of common costs?

8 A. Yeah, yes.

9 MR. BOWEN: That's all I have. Thank you, Your  
10 Honor.

11 EXAMINER WOODS: Okay. Mr. Harvey?

12 MR. HARVEY: No.

13 EXAMINER WOODS: Mr. Binnig?

14 MR. BINNIG: I think a very short redirect,  
15 Your Honor.

16 REDIRECT EXAMINATION

17 BY MR. BINNIG:

18 Q. The first question I have, Ms. Chapman,  
19 is I believe Ms. Hamill asked you a question, a  
20 hypothetical, where she asked you to assume a  
21 situation where a UNE-P provider wanted to partner  
22 with a data CLEC, and the data CLEC wasn't collocated



1       because the data CLEC wasn't using its own splitter;  
2       that is the data CLEC was previously providing  
3       service on a line-shared line with Ameritech Illinois  
4       and it was using the Ameritech Illinois splitter.  
5       Can you think of any instance where that would  
6       actually occur; that is where a data CLEC would not  
7       be collocated in an Ameritech Illinois central  
8       office?

9           A.     No, because a data CLEC would have to  
10       have their DSLAM collocated in the central office  
11       where the copper terminates in order to provide DSL  
12       services.

13          Q.     And that's true of any CLEC that wants to  
14       provide data services, whether it's AT&T, Rhythms,  
15       Covad, or any other CLEC, AADS? They've got to  
16       collocate a DSLAM?

17          A.     Yes. In order to provide the  
18       copper-based DSL services, you have to collocate the  
19       DSLAM where the copper terminates.

20          Q.     Okay. And then if you could turn to I  
21       think it's page 39 again of the Broadband Service  
22       agreement that's part of Exhibit CAC-4, and

1       Mr. Schiffman asked you some hypothetical questions  
2       about if Sprint wanted to provide data only services  
3       to a single customer, what would it cost. You  
4       identified that charges would include a DS3 port and  
5       a DS3 cross-connect. Do you recall that?

6             A.     Yes.

7             Q.     And for ADSL service am I correct that a  
8       DS3 port and a DS3 cross-connect can support  
9       approximately 500 lines?

10            A.     That's my understanding, yes.

11            MR. BINNIG: That's all I have, Your Honor.

12            EXAMINER WOODS: Okay. Let's do lunch.

13                               (Whereupon lunch recess was taken  
14                               until 2:00 P.M.)

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